

C I T Y O F S U G A R L A N D



CITY OF SUGAR LAND COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2014



CITY OF SUGAR LAND

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CITY OF SUGAR LAND, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2014**

Officials Issuing Report

**Allen Bogard
City Manager**

**Jennifer Brown
Director of Finance**

**Alka B. Shah
Chief Accountant**

MAYOR AND CITY COUNCIL MEMBERS



List in order: (L to R)

Himesh Gandhi.....Council Member, At Large Position One
Amy L. Mitchell Council Member, District Three
James A. Thompson Mayor
Joe R. Zimmerman Council Member, At Large Position Two
Bridget R. Yeung..... Council Member, District Two
Harish C. Jajoo Council Member, District Four
Steve R. Porter Council Member, District One
Presented by:
Allen Bogard..... City Manager

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INTRODUCTORY SECTION

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CITY OF SUGAR LAND

February 3, 2015

Honorable Mayor James Thompson and
Members of the City Council
City of Sugar Land, Texas

Dear Mayor and Council Members

State law requires that a complete set of audited financial statements be filed with the City Secretary within 180 days of the close of each fiscal year. This annual financial report is presented to fulfill that requirement for the fiscal year ended September 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Whitley Penn, Certified Public Accountants, have issued an unmodified (or “clean”) opinion on the City of Sugar Land’s financial statements for the year ended September 30, 2014. The independent auditors’ report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Sugar Land, incorporated in 1959, has adopted a Council-Manager form of government. The Council is comprised of a mayor and six council members. The Mayor and two Council members are elected at large, and the remaining four are elected by district. All elected officials serve two-year terms. No person can be elected to more than four consecutive regular two-year terms as mayor or council member. The City Manager is appointed by Council and is responsible for implementation of Council policy and all day-to-day operations of the City.

The Council appoints many residents who volunteer their expertise, experience, and time to serve on various boards and commissions. These boards and commissions make recommendations relative to special projects, issues, and planning for the future. The Planning and Zoning Commission and the Parks and Recreation Policy Advisory Board meet on a regular basis. Other boards and commissions that meet as needed include the Zoning Board of Adjustment, Building Standards Commission, and Animal Control Advisory Board. Specialized committees such as the Charter Review Committee or Citizens Bond Committee are convened for special projects and meet only for a specific purpose until a recommendation is formulated and presented to City Council. This community spirit and teamwork is common to the citizens of Sugar Land and critical to the City’s success.

PROFILE OF THE GOVERNMENT (continued)

A full range of municipal services is provided by the City of Sugar Land including public safety (police, fire, dispatch and emergency management); water and wastewater utilities; planning; community development & code enforcement; public improvements; repair and maintenance of infrastructure; residential solid waste and recycling; animal control; recreational and community activities; and general administrative & support services. In addition, the City owns, operates, and serves as the fixed base operator of a general aviation airport. As an independent political subdivision of the State of Texas governed by an elected Mayor and Council, the City is considered a primary government. In accordance with standards established by the Governmental Accounting Standards Board (GASB), the City reports all funds for which the City, as the primary government, is financially accountable. The Sugar Land Development Corporation (SLDC), the Sugar Land 4B Corporation (SL4B), Sugar Land Town Square Tax Increment Reinvestment Zone (TIRZ 1), Imperial Redevelopment District (TIRZ 3) and Sugar Land Tax Increment Reinvestment Zone No. 4 (TIRZ 4) are considered to meet the criteria of component units. The SL4B, TIRZ 1, TIRZ 3 and TIRZ 4 have been included in the report as discretely presented component units. The SLDC has been included with the special revenue funds as it is treated as a blended component unit. The SLDC and the SL4B Corporations were created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and related development activities on behalf of the City. TIRZ 1 was created in December 1998 and TIRZ 3 was created in December 2007 for the purposes of development and redevelopment in the Zone Areas. TIRZ 4 was created in December 2009 for the purposes of development and redevelopment in the Zone Area. The City participates in each Zone by contributing tax increments produced in the Zone to the Tax Increment Fund.

LOCAL ECONOMY

In fiscal year 2014, the City continued to see economic growth. Building activity remained strong, with significant activity in commercial development and continued residential growth. Net property values grew 5.7% to \$10.3 billion as of January 1, 2013; an increase of \$557 million over 2012 values. New development accounted for \$124 million of the increase, while existing property values increased by \$433 million. The City Council left the tax rate unchanged at \$0.30895 for 2013, which generated approximately 1.6% more revenues than the prior year excluding new value to the tax roll. The residential homestead exemption remained at 7%.

The City has also saw considerable building permit activity, particularly in commercial development. Although the residential development in Telfair is substantially completed, commercial areas started to develop. The City saw development in the Imperial tract, which should continue over the next several years. The growth in Imperial and Telfair will generate new economic activity within the City and increase the property tax base. Residential development continues, but at a slower pace than seen in prior years. New single-family housing permits for fiscal year 2014 totaled 150, a 23% decrease from 2013; however the average permitted value of \$424,704 was an increase of 4.5% over the prior year.

New commercial construction valuation totaled \$144 million in value from 39 permits issued; of these permits, 34 were taxable properties with a value of \$91.5 million. A total of 1.27 million square feet of commercial value were permitted for construction during the year. Significant investment is occurring in the medical field with expansions of both Methodist and Memorial Hermann hospitals and associated patient care facilities. Facilities for assisted living and multi-family developments occurred in Telfair and Imperial, with significant commercial development occurring in Telfair, including the relocation of Texas Instruments to Sugar Land. These large developments are a result of a high level of work effort put forth by City staff, the Planning and Zoning Commission, and City Council to ensure Sugar Land is a preferred destination in the Houston region.

The City saw an increase of approximately 9% in sales tax over the prior year, as the economy continued to grow. Sales Tax revenues were budgeted at a 2.7% increase from the previous year projections and surpassed those estimates. The City ended the year even better than anticipated, with sales tax revenues totaling \$49.15 million compared to \$44.96 million in the prior year.

LONG-TERM FINANCIAL PLANNING AND RELEVANT FINANCIAL POLICIES

The City annually adopts a one-year budget, including a five-year capital improvement program, through its fully coordinated long-range financial planning process. The budget implements strategies, both financial and operational, identified through the strategic and long-range planning process to meet existing challenges and to effectively plan for future needs. Decisions are not based solely on current conditions but on the long-term welfare of the community. The budget is developed and resources allocated based on the vision, mission, and goals of the City.

The City has adopted Financial Management Policy Statements (FMPS) that establish and document a framework for fiscal decision-making and that ensure that financial resources are available to meet the present and future needs of its citizens and business community. The FMPS, along with the City's long range financial planning, help to ensure prudent budgeting and fiscal health. One benefit of this is reflected in the City's strong bond ratings as further described in Management's Discussion and Analysis.

As identified in the FMPS, a five year forecasts was prepared for each of the major operating funds. In the General Fund, the forecast demonstrates continued structural balance, including the ability to provide merit increases to employees and implement fire-based EMS transport. The Debt Service Fund is able to maintain balances over the policy requirement of 10% of annual debt service. In addition, the Debt Service Fund shows capacity for additional debt issuance to support the rehabilitation of existing infrastructure. With an anticipated tax increase over the five year forecast of just under three cents, the Debt Service Fund can support approximately \$104 million in new debt, including the voter authorized GO bond projects over the five year forecast. The forecast shows utility rates will need to be adjusted in FY17 in anticipation of significant capital investment in the system. Water and wastewater rates have not been adjusted for several years to minimize the impact to ratepayers of the surface water conversion.

The forecast outcome is highly dependent on several key assumptions that are based on information available at the time of preparation. A change in one or more of these assumptions can significantly alter the outcome of the forecast, which could have a tremendous impact on the City's operations and maintenance tax rate and capacity to meet the future needs. Based on these assumptions, the forecast shows that the City will be able to accomplish the following:

- Maintain approximately 3% growth from tax revenues over the forecast period
- Fund existing services at current service levels in all funds
- Support the surface water treatment plant and debt repayment
- Maintain sales tax to fund operations below 50%
- Meet current and future debt service needs
- Fund the recommended Five-Year CIP and resulting operating expenditures
- Continued Economic Development and Tourism efforts such as the Performing Arts Center

In November 2013, Sugar Land voters authorized \$31.5 million in general obligation bonds to be issued for parkland improvements at Brazos River Park, an adjacent Festival Fite, and nearly ten miles of hike and bike trails and bridges throughout the City. The FY15 budget includes \$13.55 million for the first year of funding for the voter authorized projects, including work on the next phase of Brazos River Park, grading and site work on the Festival Site, and the Imperial and First Colony trails. The remaining projects have been programmed over the course of the five-year CIP, with all projects anticipated to be underway by FY19.

The City Council elected to maintain the homestead exemption at 7%, with a \$5,000 minimum. According to the City's Financial Management Policy Statements, when the financial health of the City's finances and the economic and market conditions of the local economy justify, an increase may be considered. The 2014 tax roll showed approximately 6% average increase to residential values and 3.25% increase on commercial values. The 2014 tax rate shifts \$0.0025 from the operations & maintenance tax rate to the debt service tax rate, and an overall increase of \$0.007 was added to fund implementation of the first phase of the voter-approved GO bond projects, for a total tax rate of \$0.31595 for tax year 2014.

The General Fund encompasses the majority of the City's services. Resources to the fund are generated through property and sales taxes, franchise fees, fines, charges for services and miscellaneous income. Expenditures from the fund support municipal services such as public safety; planning; community development & code enforcement; public improvements; repair & maintenance of infrastructure; animal control; recreational and community activities; and general administrative & support services. The General Fund continues to fund all current services throughout the forecast. The forecast includes additions to operating expenditures as identified in the Five Year CIP for FY15-FY19 and modest annual merit increases for employees. Recurring operating expenditures increase by an average of 3% annually from FY15 to FY19 due to additions to the budget for the implementation of emergency medical services and growth in personnel costs and operations and maintenance. Overall, the General Fund is in a stable financial position throughout the forecast due to its focus on structural balance.

The Debt Service Fund is anticipated to be able to support approximately \$104 million in new debt for projects in the five year CIP, due to decreases in debt service requirements and an assumed growth in tax revenues, both from valuation increases and tax rate adjustments as the City implements the 2013 voter approved GO bond projects.

The City's Five-Year CIP totals \$322.1 million for FY15-FY19. Funding sources were identified as capacity was determined in the various financial plans and the timing of projects was adjusted to meet affordability within anticipated funding.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

The City continues to receive recognitions as a well-managed, economically growing city and a great place to live. The City carries the AAA bond rating from both Fitch Ratings and Standard & Poor's. The City is among an elite group of cities in Texas to carry the AAA rating from two rating agencies. In addition, the rating agencies have both assigned their AA+ rating to the City's utility revenue bonds.

In November 2013, residents approved two of three propositions on the ballot for GO bond authorization for park improvements; this was the first GO bond election in the City since 1999. The process began in January 2013 with the Council's appointment of over 100 residents to the Citizens Bond Committee to develop a recommendation to the City Council on the proposed projects for consideration. Of the \$50 million in propositions, \$31.5M in GO authorization was approved and the City Council began working on an implementation plan in the spring of 2014 for fiscal year 2015's budget.

Beginning in January, the Planning department hosted a six-part series of land use forums highlighting land use topics such as housing choices, development of activity centers and redevelopment of aging commercial areas in Sugar Land. The forums allowed for citizen participation and feedback on future land use as the City works to update its land use plan. The series had 14 speakers and over 200 attendees.

The City has completed the design and development of the performing arts center. The City and ACE finalized their development and lease agreement in October 2014 with award of a guaranteed maximum price contract for ACE Center at Sugar Land on November 4, 2014. The venue will be located on a portion of 38.5 acres of City-owned property in the Telfair commercial district.

Several major capital projects were completed during the year, including improvements to the Ragus Lakes Drainage System, Barrington Place Water Distribution Main Rehabilitation, updating of the in-pavement lighting system at US59 and State Highway 6, and a canoe launch on the Brazos River at US59.

There were a number of announcements in 2014 regarding business expansions or relocations to Sugar Land. Both Memorial Hermann and Methodist hospitals announced multimillion dollar expansions to patient and office space in Sugar Land that are currently under construction. Texas Instruments completed their move into the new corporate campus constructed in Telfair. The 155,000 square foot facility brought 375 new jobs to Sugar Land. In July, Nalco Champion announced plans to expand their presence in the City by relocating their corporate headquarters to Sugar Land. The relocation will result in more than \$45 million in investments and over 860 new jobs. Applied Optoelectronic, Inc (AOI) announced an expansion of their Sugar Land headquarters, resulting in \$39M in capital investment and over 500 new jobs in the City once completed.

Other accomplishments for FY 2014 included:

- In January 2014 the Surface Water Treatment Plant began full operations and delivering 9 million gallons per day of treated surface water to two water plants for blending with groundwater and distribution to customers.
- Completed the start-up phase for fire-based EMS transport to be effective January 1, 2015. The City acquired five ambulances and equipment, hired additional Fire and Dispatch staff, and provided additional training to existing Fire & Dispatch staff to accomplish this goal.
- The City joined a consortium of Gulf Coast Cities to update its Computer Aided Dispatch / Record Management System (CAD/RMS) in preparation for fire-based EMS transport. By joining the consortium, the City saved millions in hardware and software costs, as well as providing for backup dispatch capacity.

In March, the City completed the dissolution of Fort Bend Municipal Utility District (MUD) #21. By coordinating with the district, no MUD taxes were levied for tax year 2013, allowing taxpayers in the Sugar Land Business Park to realize immediate savings on their tax bills.

FINANCIAL MANAGEMENT AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sugar Land for its Comprehensive Annual Financial Report for the year ended September 30, 2013.

This was the thirtieth year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

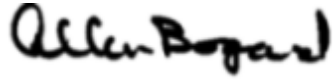
A Certificate of Achievement is valid for a period of one year only. It is the City's belief that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the period October 1, 2013 – September 30, 2014. This was the eighteenth consecutive year the government received the distinguished budget award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the efforts and dedicated services of the entire staff of the Finance Department. Appreciation is also expressed to City employees throughout the organization, for their commitment to our financial policies and procedures. We also thank the Mayor and members of the City Council for their continued support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Allen Bogard". The signature is written in a cursive, slightly slanted style.

Allen Bogard, City Manager

CITY OF SUGAR LAND, TEXAS
PRINCIPAL OFFICIALS AS OF SEPTEMBER 30, 2014

| City Officials | Elective Position | Term Expires |
|-----------------------|--|---------------------|
| James A. Thompson | Mayor | 2016 |
| Himesh Gandhi | Council Member at Large - Position One | 2016 |
| Joe R. Zimmerman | Council Member at Large - Position Two | 2016 |
| Steve R. Porter | Council Member District One | 2015 |
| Bridget Yeung | Council Member District Two, Mayor Pro Tem | 2015 |
| Amy Mitchell | Council Member District Three | 2015 |
| Harish Jajoo | Council Member District Four | 2015 |

| Key Staff | Position |
|----------------------|------------------------------|
| Allen Bogard | City Manager |
| Steve Griffith | First Assistant City Manager |
| James Callaway | Assistant City Manager |
| Mike Goodrum | Assistant City Manager |
| Jennifer Brown | Director of Finance |
| Alka B. Shah | Chief Accountant |
| Glenda A. Gundermann | City Secretary |
| Meredith Riede | City Attorney |
| Juan Adame | Fire Chief |
| Doug Brinkley | Police Chief |

CITY OF SUGAR LAND

EXECUTIVE TEAM ORGANIZATIONAL CHART AS OF SEPTEMBER 30, 2014

City of Sugar Land Organizational Chart



[City Manager Allen Bogard](#)

- [City Secretary](#)
- [Economic Development](#)
- Legal
- Public Affairs



[Steve Griffith](#)

1st Assistant City Manager
Public Safety

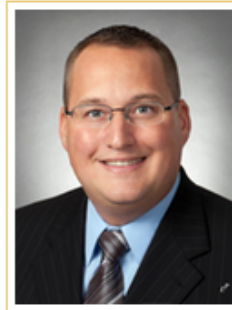
- [Communications](#)
- [Fire](#)
- [Municipal Court](#)
- [Police](#)
- [Public Safety Dispatch](#)
- [Sugar Land Regional Airport](#)



[Jim Callaway](#)

Assistant City Manager

- [Community Development](#)
- [Engineering](#)
- [Permits & Inspections](#)
- [Planning](#)



[Mike Goodrum](#)

Assistant City Manager

- [Finance](#)
- [Human Resources](#)
- Information Technology
- [Parks and Recreation](#)
- [Public Works](#)
- Strategic Initiatives



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Sugar Land
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

A handwritten signature in dark ink, reading "Jeffrey R. Emer", is positioned above the title of the signatory.

Executive Director/CEO

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and Members
of the City Council
City of Sugar Land, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Sugar Land, Texas (the “City”) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor and Members
of the City Council
City of Sugar Land, Texas

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, budgetary comparison information on pages 70 through 71, pension system supplementary information on page 72, and other post-employment benefit supplementary information on page 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, other supplementary information, budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules, other supplementary information, and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, other supplementary information, and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members
of the City Council
City of Sugar Land, Texas

Other Matters (continued)

Other Information (continued)

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
February 3, 2015

CITY OF SUGAR LAND, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Sugar Land offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$621.6 million (*net position*). Of this amount, \$54.2 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$25.2 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$80.1 million, an increase of \$29.0 million over the prior year. Approximately 31% of this total amount, \$24.5 million, is *available for spending* at the government's discretion (*unassigned fund balance*).
- The City's Financial Management Policy requires the City to maintain the General fund's unassigned fund balance equivalent to three months of recurring operating costs, based on the current year's budgeted expenditures. At the end of the current fiscal year, unassigned fund balance for the general fund was \$24.5 million, or 37% of total general fund expenditures.
- The City's total long-term liabilities increased by \$34.7 million due to the issuance of new debt and the dissolution of Fort Bend County Municipal Utility District No. 21.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, and liabilities, with the difference between the three reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Statements (continued)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, administrative services, public safety, public works, parks and recreation and community development. The business-type activities of the City include utility system, including surface water operations, and solid waste operations as well as the operations of a regional airport facility.

The government-wide financial statements include not only the City itself (known as *the primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *discretely presented component units* is reported separately from the financial information presented for the primary government itself. The City's four discretely presented component units consist of the following:

- Sugar Land 4B Corporation (4B Corporation)
- Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 (TIRZ 1)
- Sugar Land Reinvestment Zone No. 3 (TIRZ 3)
- Sugar Land Reinvestment Zone No. 4 (TIRZ 4)

The following component unit is a blended component unit, meaning its financial information is included with that of the primary government:

- Sugar Land Development Corporation

The government-wide financial statements can be found on pages 19 through 21 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison *between governmental funds and governmental activities*.

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fund Financial Statements (continued)

The City maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, and capital projects funds, all of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in the comprehensive annual financial report on pages 78 through 83. The three funds relating to debt reduction have been combined into one fund.

The basic governmental fund financial statements can be found on pages 22 through 25 of this report.

Proprietary Funds - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utility system, surface water plant, and solid waste operations as well as the operations of a regional airport facility. The City uses internal service funds to report activities that provide supplies and services for the City's other programs and activities. The Employee Benefits Fund, Fleet Replacement Fund and High-Technology Replacement Fund are the City's internal service funds. Their purpose is to provide for the accumulation of money for employee benefits, as well as, vehicle and equipment replacement used in City operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility system, including the surface water treatment plant, and solid waste operations as well as the operations of the regional airport facility. The utility system and airport funds are considered to be major funds of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the comprehensive annual financial report.

The basic proprietary fund financial statements can be found on pages 26 through 28 of this report.

Combining Component Unit Financial Statements

The City's four discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information presented in the form of combining statements immediately following the fund financial statements of the primary government.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 68 of this report.

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. The City adopts an annual appropriated budget for its general, debt service and certain special revenue funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 70 through 73 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$621.6 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position, 82% or \$512.1 million, reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending as of September 30, 2014. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

COMPARATIVE SCHEDULE OF NET POSITION

September 30, 2014 and 2013

Amounts in (000's)

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 101,821 | \$ 72,430 | \$ 83,239 | \$ 72,595 | \$ 185,060 | \$ 145,025 |
| Capital assets | 412,000 | 400,505 | 391,627 | 387,409 | 803,627 | 787,914 |
| Total Assets | 513,821 | 472,935 | 474,866 | 460,004 | 988,687 | 932,939 |
| Total Deferred Outflows of Resources | 1,006 | 1,188 | 742 | 880 | 1,748 | 2,068 |
| Other liabilities | 10,397 | 11,441 | 11,397 | 14,864 | 21,794 | 26,305 |
| Long-term liabilities | 155,897 | 129,745 | 191,192 | 182,602 | 347,089 | 312,347 |
| Total Liabilities | 166,294 | 141,186 | 202,589 | 197,466 | 368,883 | 338,652 |
| Net Position | | | | | | |
| Net investment in capital assets | 282,719 | 280,082 | 229,356 | 231,676 | 512,075 | 511,758 |
| Restricted | 28,311 | 20,304 | 26,945 | 8,067 | 55,256 | 28,371 |
| Unrestricted | 37,503 | 32,551 | 16,718 | 23,675 | 54,221 | 56,226 |
| Total Net Position | \$ 348,533 | \$ 332,937 | \$ 273,019 | \$ 263,418 | \$ 621,552 | \$ 596,355 |

An additional portion of the City's net position, 8.9% or \$55.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of 8.7% or \$54.2 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis (continued)

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION

For the Years Ended September 30, 2014 and 2013

Amounts in (000's)

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 12,712 | \$ 11,057 | \$ 66,272 | \$ 68,726 | \$ 78,984 | \$ 79,783 |
| Operating grants and contributions | 937 | 1,517 | 73 | 65 | 1,010 | 1,582 |
| Capital grants and contributions | 9,005 | 27,029 | 6,642 | 11,561 | 15,647 | 38,590 |
| General revenues: | | | | | | |
| Property taxes | 31,368 | 29,920 | | | 31,368 | 29,920 |
| Sales tax | 43,454 | 39,790 | | | 43,454 | 39,790 |
| Franchise and other taxes | 8,374 | 8,020 | | | 8,374 | 8,020 |
| Other | 1,634 | 1,564 | 698 | 623 | 2,332 | 2,187 |
| Total Revenues | 107,484 | 118,897 | 73,685 | 80,975 | 181,169 | 199,872 |
| Expenses | | | | | | |
| General government | 15,676 | 13,088 | | | 15,676 | 13,088 |
| Administrative services | 7,877 | 10,471 | | | 7,877 | 10,471 |
| Public safety - Police | 19,542 | 18,333 | | | 19,542 | 18,333 |
| Public safety - Fire | 12,045 | 10,838 | | | 12,045 | 10,838 |
| Public works | 24,895 | 23,482 | | | 24,895 | 23,482 |
| Parks and recreation | 7,916 | 8,177 | | | 7,916 | 8,177 |
| Community development | 5,188 | 4,667 | | | 5,188 | 4,667 |
| Interest on long-term debt | 5,910 | 5,066 | | | 5,910 | 5,066 |
| Utility | | | 22,848 | 39,919 | 22,848 | 39,919 |
| Regional Airport | | | 16,829 | 16,634 | 16,829 | 16,634 |
| Surface Water | | | 12,099 | 6,670 | 12,099 | 6,670 |
| Solid Waste Management | | | 5,147 | 5,068 | 5,147 | 5,068 |
| Total Expenses | 99,049 | 94,122 | 56,923 | 68,291 | 155,972 | 162,413 |
| Increase (decrease) in net position before transfers | 8,434 | 24,775 | 16,763 | 12,684 | 25,197 | 37,459 |
| Transfers | 7,162 | 7,288 | (7,162) | (7,288) | | |
| Increase (decrease) in net position | 15,596 | 32,063 | 9,601 | 5,396 | 25,197 | 37,459 |
| Net position - beginning | 332,937 | 300,874 | 263,418 | 258,022 | 596,355 | 558,896 |
| Net position - ending | \$ 348,533 | \$ 332,937 | \$ 273,019 | \$ 263,418 | \$ 621,552 | \$ 596,355 |

The government's net position increased by approximately \$25.2 million, which was a result of an increase in net position of both governmental and business-type activities. The increase in the net position of governmental activities was the result of a capital contribution of \$9 million and an increase in various sources of revenues, including sales tax, property tax and franchise tax. The increase in the net position of business-type activities was primarily attributed to capital contributions of \$6.6 million and a decrease in expenses for the Utility fund.

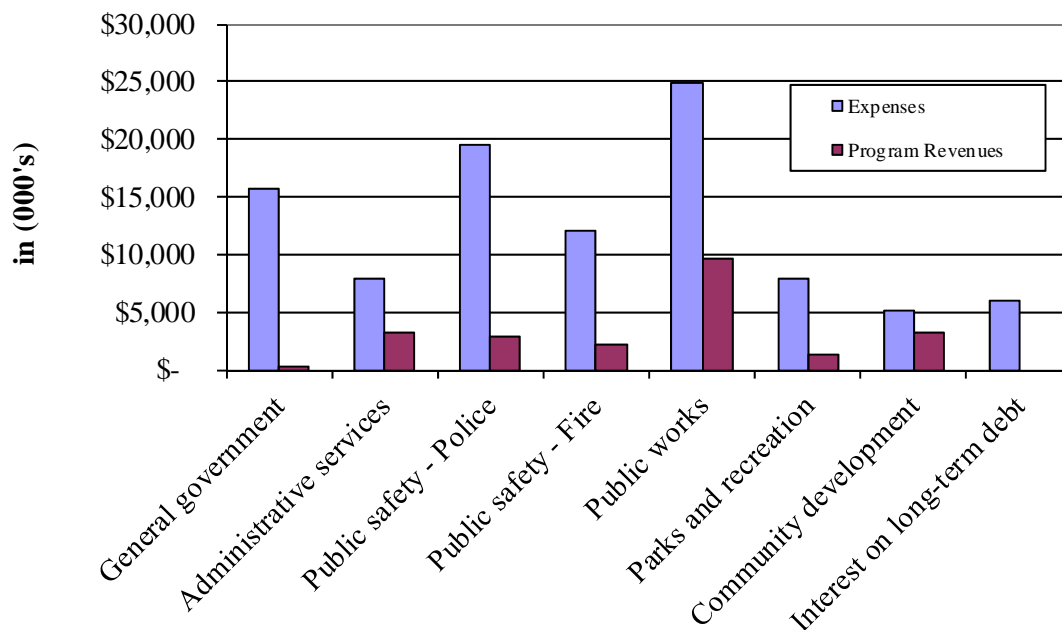
CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Activities

Governmental activities increased the City's net position by \$15.6 million. Key elements of this increase are as follows:

- An increase in sales & use tax revenues by \$3.7 million
- An increase in property tax revenues by \$1.4 million
- Operating grants and contributions of \$0.9 million
- Capital grants and contributions of \$9 million, consisting of infrastructure of \$4.3 million from developers in the Telfair, Lake Pointe and Imperial subdivisions, \$3.2 million from the Texas Department of Transportation and Fort Bend County for the University Blvd. N. project, \$0.8 million from ACE SL, LLC for the Performing Arts Center and the remaining \$0.7 million from the Sugar Land 4B Corporation for various projects

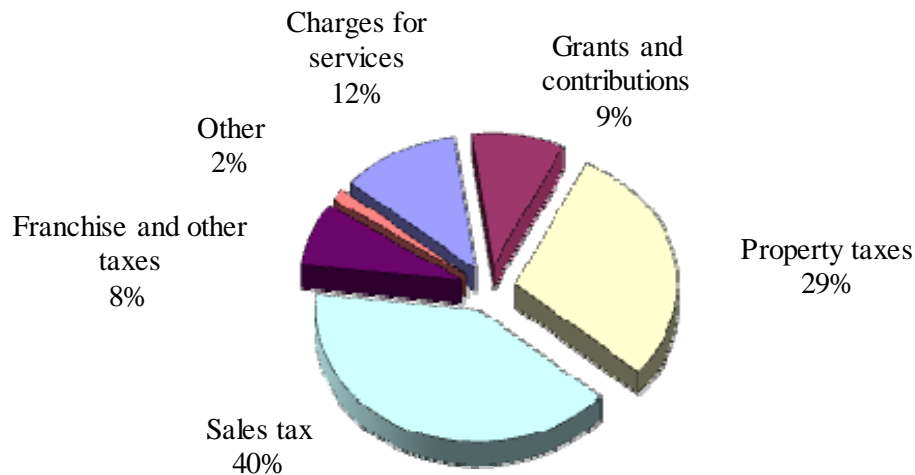
Expenses and Program Revenues - Governmental Activities



CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Activities (continued)

Revenues by Source - Governmental Activities



Business-type Activities

Business-type activities increased the City's net position by \$9.6 million. Key elements of this increase are as follows:

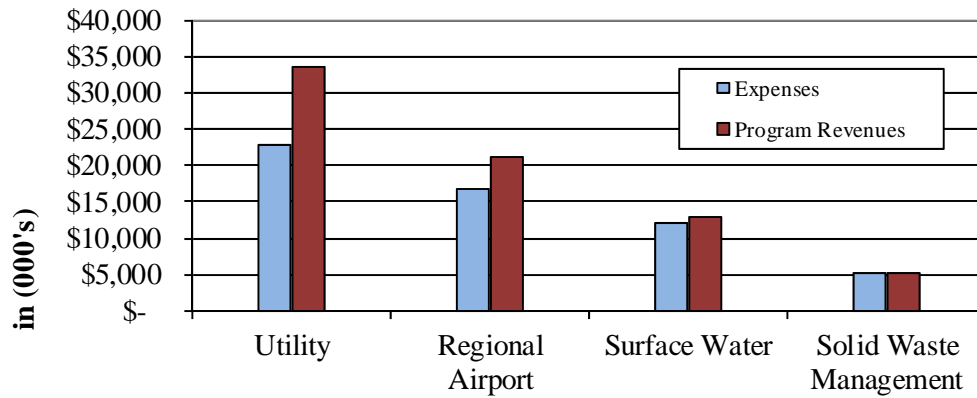
- Capital contributions of \$2.2 million from developers of subdivision utility assets
- A decrease of \$2.1 million in operating expenses of the Utility fund due to a lower consumption of water
- Charges for services for the Surface Water fund increased due to a rate increase from \$1.50 to \$1.75 per 1,000 gallons of water
- Capital grants of \$4.4 million for runway and taxiway improvements at the Regional Airport
- Charges for services for the Regional Airport resulted in an increase in revenues of \$0.4 million as a result of increased fuel sales, hanger leases and miscellaneous revenues

The increase in revenue at the Regional Airport noted above is offset by a higher cost for fuel, which resulted from increased activities.

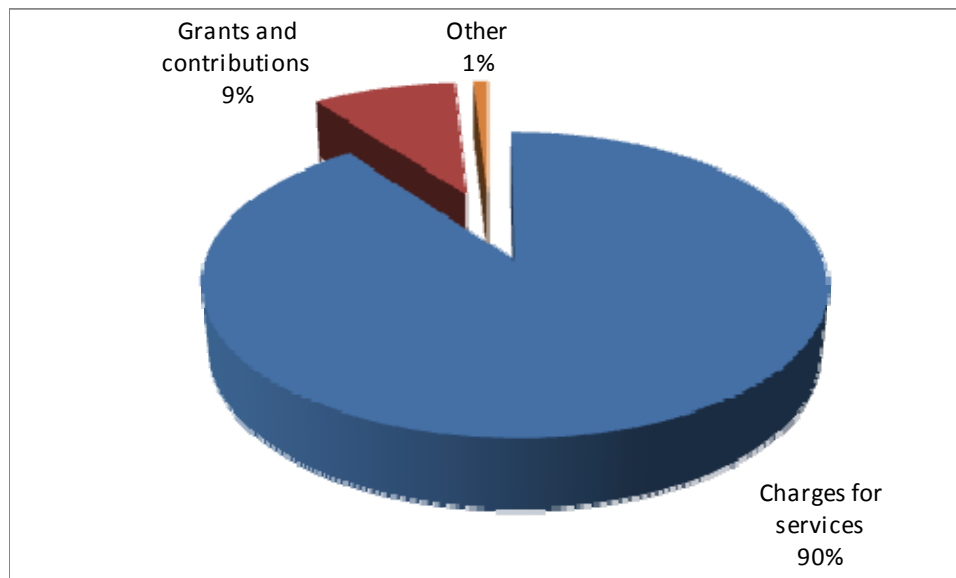
CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Business-type Activities (continued)

Expenses and Program Revenues - Business-type Activities



Revenues by Source – Business-type Activities



CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

Financial Analysis of the City's Funds

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements, in particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$80.1 million, an increase of \$29.0 million from the prior year. Approximately 31% of the combined ending fund balances, \$24.5 million, is *available for spending* at the government's discretion (*unassigned fund balance*).

The most significant change in fund balance was in the Capital Projects Fund with an increase of \$19.3 million. This increase is primarily due to the issuance of \$24.4 million in certificates of obligation in the current year. Other significant activity in governmental funds relates to the increase of fund balance of approximately \$4.9 million in the Sugar Land Development Corporation Fund due to the issuance of \$7.2 million in sales tax revenue bonds. Other significant activity in governmental funds relates to the increase of fund balance of approximately \$1.0 million in the Tourism Fund. This increase was primarily due to a rise in hotel occupancy tax revenues. The Debt Reduction fund had an increase of \$1.3 million in revenues, which consisted of \$0.8 million from out of city service fees from various MUDs, and a transfer in of \$0.5 million, which was a portion of sales tax collected in these MUDs.

Fund balance in the General Fund increased from prior year, by \$1.6 million, resulting in an ending fund balance of \$28.3 million at year end. The unassigned fund balance of \$24.5 million represents 37% of annual fund expenditures.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Utility Fund has unrestricted net position at fiscal year-end of \$4.1 million. The Surface Water Fund has approximately \$10.6 million in unrestricted net position, and the Airport Fund's unrestricted net position amounted to approximately \$4.6 million. Other factors concerning the finances of the City's Proprietary Funds have already been addressed in the discussion of the City's business-type activities.

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

General Fund Budgetary Highlights

Budget estimates for revenues between the original and final amended budget increased by \$2.7 million. This rise was primarily due to increases in the budgeted revenues for franchise and other taxes and licenses and permits, which was a result of the improved economic climate the City experienced.

During the year there were increases between the original and final amended budget appropriations of \$1.7 million. The key elements for this increase include:

- \$1.91 million increase in appropriations was due to a carryover of appropriations from the prior year
- \$97,800 increase was to incorporate salary and benefits for the Performing Arts Center project manager
- \$165,000 increase in transfers to the Airport fund was due to sales tax collected on the sale of an aircraft
- \$730,884 increase in projections was for sales tax incentives and in-city MUD rebates

The most significant difference between final amended revenues and actual revenues was the \$1.1 million positive variance in sales tax revenue due to the improved economic climate the City experienced in FY 2014.

The most significant difference between final amended expenditures and actual expenditures was the \$2.4 million positive variance in public safety - fire due to the purchase of ambulances not occurring until fiscal year 2015.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the City's governmental activities and business-type activities had invested \$412.0 million and \$391.6 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$11.5 million or 2.9% over the end of last fiscal year for the governmental activities' capital assets and a change of \$4.2 million or 1.1% percent for the business-type activities' capital assets.

| | Governmental Activities | | Business-Type Activities | | Totals | |
|-----------------------------|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land and intangibles | \$ 85,950 | \$ 84,569 | \$ 20,372 | \$ 20,007 | \$ 106,322 | \$ 104,576 |
| Construction in progress | 21,927 | 39,364 | 9,747 | 126,641 | 31,674 | 166,005 |
| Infrastructure | 195,587 | 167,596 | 342,914 | 222,300 | 538,501 | 389,896 |
| Buildings and improvements | 96,004 | 95,203 | 13,599 | 13,825 | 109,603 | 109,028 |
| Equipment and furniture | 12,533 | 13,773 | 4,994 | 4,636 | 17,527 | 18,409 |
| Total Capital Assets | \$ 412,000 | \$ 400,505 | \$ 391,627 | \$ 387,409 | \$ 803,627 | \$ 787,914 |

The decrease in construction in progress for both governmental and business-type activities is due to the completion of various projects, including street, drainage and parks projects, completion of fire station #7, Dulles Ave. upgrade, elevated storage tank, Water plant upgrades and the completion of the surface water treatment plant.

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Capital Assets and Debt Administration (continued)

Long-Term Debt

At the end of the current fiscal year, the City had total bonds, certificates of obligation, capital leases and other obligations outstanding of \$347.1 million. Of this amount, \$75.6 million was general obligation debt (including \$11.7 million of dissolved utility district bonds), and \$101.5 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds). Certificates of obligation and capital lease obligations account for \$161.2 million and \$1.0 million respectively.

| | Governmental Activities | | Business-Type Activities | | Totals | |
|----------------------------|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| General obligation bonds | \$ 70,105 | \$ 72,280 | \$ 5,510 | \$ 5,610 | \$ 75,615 | \$ 77,890 |
| Revenue bonds | 15,345 | 8,935 | 86,180 | 75,670 | 101,525 | 84,605 |
| Certificates of obligation | 63,232 | 40,880 | 98,003 | 99,645 | 161,235 | 140,525 |
| Premiums or discounts | 1,731 | 1,847 | 1,223 | 1,419 | 2,954 | 3,266 |
| Capital leases payable | 954 | 1,288 | | | 954 | 1,288 |
| Other obligations | 4,529 | 4,515 | 276 | 258 | 4,805 | 4,773 |
| | <u>\$ 155,896</u> | <u>\$ 129,745</u> | <u>\$ 191,192</u> | <u>\$ 182,602</u> | <u>\$ 347,088</u> | <u>\$ 312,347</u> |

The net increase in debt for the year was \$34.7 million or 11.1 percent. This was primarily due to the dissolution of Fort Bend County MUD #21 and issuance of new debt.

The most recent ratings on debt issues are as follows:

| | Standard and Poor's | Fitch Investors Service |
|--------------------------|--------------------------------|--|
| General obligation bonds | AAA | AAA |
| Revenue bonds | AA+ | AA+ |

Both the Sugar Land Development Corporation (SLDC) and the Sugar Land 4B (SL4B) Corporation, component units of the City, have issued debt. SLDC bonds are rated "A1" and "A+" from Moody's and Standard & Poor's, respectively. SL4B bonds are rated "Aa3" and "A+" from Moody's and Standard & Poor's, respectively.

Additional information on long-term debt can be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City of Sugar Land as of September 2014 was 3.9%, while Fort Bend County had a 4.6% unemployment rate. The Houston-Sugar Land-Baytown MSA rate was 4.9%, the Texas rate was 5.2% and the U.S. unemployment rate was 5.9% as of September 2014. The City continued to experience growth in sales tax revenues, but at a lesser rate than seen in the prior year. Fiscal year 2014 ended with collections significantly higher than the 2.7% growth that was budgeted. For budgeting purposes, sales tax revenues are conservatively estimated to grow 1.4% over fiscal year 2014 projected revenues. Property tax revenues are based on the adopted tax rate of \$0.31595 per \$100 taxable value, and a net taxable value of \$10.76 billion to the City after TIRZ participation.

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budgets and Rates (continued)

To ensure the City is prepared to deal with future growth and the financial impact of such growth, City Council and City staff has maintained a focus on internal processes that contribute to the success of the City. In June, City Council approved an update to the Financial Management Policy Statements. The FMPS have been identified by bond rating agencies as an important component of the City's AAA bond rating. City Council's continued leadership in the areas of sound development and strong financial policies position the City to be prepared for the challenges and benefits of future growth within the City.

The total budget for fiscal year 2015 is \$324.75 million and includes \$144.35 million in capital projects funding. The FY15 operating budget and CIP includes funding for a number of high priority projects outlined by City Council. The capital improvement program (CIP) includes funding for the construction of a performing arts center- referenced in the budget as ACE Center at Sugar Land, the first year of the citizen approved parks bond projects, and a continued emphasis on pavement and drainage rehabilitation. Operating priorities include the personnel and equipment for implementation of Fire-based emergency medical services (EMS) and implementation of the Public Safety compensation study.

The FY15 budget includes \$79 million for construction of ACE Center at Sugar Land. It is anticipated that the 6,500 seat venue will be completed in fall 2016 and will promote capital investment, create new jobs, enhance educational opportunities, and create unique destination activities attracting local and regional visitors.

Funding for the project comes from Economic Development Sales Tax, facility rent payments, participation from ACE SL, and hotel occupancy taxes; there are no general tax dollars being spent on the project. The FY15 budget includes \$13.55 million for the first year of funding for the voter authorized projects, including work on the next phase of Brazos River Park, grading and site work on the Festival Site, and the Imperial and First Colony trails.

The FY15 budget continues the implementation of EMS transport with the addition of \$2.5 million for personnel and additional equipment needs. Included in the budget are eleven new firefighter/paramedics and two new public safety dispatchers; this is consistent with the funding plan shared with City Council during budget preparation discussions and prior year workshops. With these new additions, the City will be on schedule to meet the implementation of Fire-based EMS transport beginning in January 2015. Changes are also being made to public safety compensation based on the results of a compensation study conducted in FY14. The budget includes funding to implement the public safety compensation study results, which should ensure public safety compensation for the City remains competitive with other local and regional jurisdictions. Additional positions added in the FY15 budget will allocate resources for Code Enforcement with the addition of two Code Enforcement Inspectors. The new additions will allow Code Enforcement staff to actively inspect neighborhoods throughout the City rather than relying on citizen complaints. In Treasury, one position has been added to assist with payments and customer service calls.

With the addition of the 16 new positions in the FY15 budget, the City will have a total of 694 full time equivalent positions, an equivalent of 8.2 employees per 1,000 residents. The budget includes funding for an average 4% merit increase for employees based on performance evaluations and provides funding for an anticipated 8% increase in health insurance costs, which are managed through a self-funded health plan.

The budget is based on an approved 2014 tax rate of \$0.31595 per hundred dollars valuation, an increase of \$0.007 above the 2013 tax rate. There is no change to the 7% residential homestead exemption. The increase in the tax rate is to support the general obligation debt that will be issued in FY15 to fund parks bond projects authorized by voters in November 2013.

CITY OF SUGAR LAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

Economic Factors and Next Year's Budgets and Rates *(continued)*

In the enterprise funds, there are no rate increases to water, wastewater, and surface water rates, which is consistent with the five-year forecast that has been shared with City Council in prior years. The Solid Waste Fund includes a contractual increase of 2.5% (\$0.41) to residential solid waste rates effective in January; the current rate of \$16.40 will be increasing to \$16.81. The airport enterprise fund includes the final step of a three-year phased increase to the fuel markup beginning in FY13. Since Sugar Land Regional Airport is a self-sustaining operation, this increase to the fuel markup supports the services provided to airport customers. The six-cent increase to the markup can be implemented while keeping the airport's fuel prices competitive within the market.

Existing rate and fee adjustments were approved by Ordinance No. 1973 on October 7, 2014; new fees related to EMS transport were approved by Ordinance No. 1984 on November 18, 2014. These rates became effective on January 1, 2015.

Requests for Information

This financial report is designed to provide a general overview of the City of Sugar Land's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to Alka B. Shah, Chief Accountant, City Hall, 2700 Town Center Boulevard North, Sugar Land, TX 77479, telephone (281) 275-2745 or for general City information, visit the City's website at www.sugarlandtx.gov.

BASIC FINANCIAL STATEMENTS

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CITY OF SUGAR LAND, TEXAS

STATEMENT OF NET POSITION

September 30, 2014

| | Governmental Activities | Business-type Activities | Total | Component Units |
|---|------------------------------------|-------------------------------------|-----------------------|----------------------------|
| Assets | | | | |
| Cash and equivalents | \$ 20,523,568 | \$ 5,810,275 | \$ 26,333,843 | \$ 786,619 |
| Cash with fiscal agent | 342,000 | | 342,000 | |
| Investments | 61,903,645 | 14,992,433 | 76,896,078 | 3,489,193 |
| Receivables, net of allowance for uncollectibles | 13,451,086 | 4,926,903 | 18,377,989 | 1,067,384 |
| Interest receivable | 75,179 | 59,470 | 134,649 | 6,917 |
| Internal balances | 2,849,558 | (2,849,558) | | |
| Due from other governments | 943,583 | 3,859 | 947,442 | |
| Inventories | 217,124 | 360,537 | 577,661 | |
| Prepaid items | 145,032 | 155 | 145,187 | 1,639 |
| Restricted assets | 1,369,887 | 59,935,083 | 61,304,970 | 3,639,128 |
| Capital assets not being depreciated: | | | | |
| Land | 83,840,186 | 19,974,051 | 103,814,237 | |
| Construction in progress | 21,926,925 | 9,747,233 | 31,674,158 | |
| Intangibles | 1,455,792 | 289,549 | 1,745,341 | |
| Capital assets net of depreciation: | | | | |
| Infrastructure | 195,586,560 | 342,914,179 | 538,500,739 | |
| Buildings and improvements | 96,003,654 | 13,599,308 | 109,602,962 | |
| Equipment and furniture | 12,532,975 | 4,994,096 | 17,527,071 | |
| Intangibles | 653,680 | 108,548 | 762,228 | |
| Total Capital Assets | 411,999,772 | 391,626,964 | 803,626,736 | |
| Total Assets | 513,820,434 | 474,866,121 | 988,686,555 | 8,990,880 |
| Deferred Outflows of Resources | | | | |
| Deferred charge on refunding | 1,005,506 | 742,402 | 1,747,908 | 198,057 |
| Total Deferred Outflows of Resources | 1,005,506 | 742,402 | 1,747,908 | 198,057 |
| Liabilities | | | | |
| Accounts payable and accrued expenses | 9,400,244 | 6,921,507 | 16,321,751 | 123,543 |
| Unearned revenue | 152,540 | | 152,540 | |
| Customer deposits | 116,235 | 3,571,580 | 3,687,815 | |
| Accrued interest | 727,631 | 904,507 | 1,632,138 | 206,157 |
| Long-term liabilities: | | | | |
| Due within one year | 13,597,619 | 8,185,498 | 21,783,117 | 1,836,064 |
| Due in more than one year | 142,298,927 | 183,006,444 | 325,305,371 | 35,841,350 |
| Total Liabilities | 166,293,196 | 202,589,536 | 368,882,732 | 38,007,114 |
| Net Position | | | | |
| Net investment in capital assets | 282,719,001 | 229,355,889 | 512,074,890 | |
| Restricted for: | | | | |
| Capital projects | | 13,382,635 | 13,382,635 | |
| Debt service | 10,721,344 | 13,562,212 | 24,283,556 | 3,427,286 |
| Development activities | 17,379,929 | | 17,379,929 | 116,950 |
| Public safety | 209,920 | | 209,920 | |
| Unrestricted | 37,502,550 | 16,718,251 | 54,220,801 | (32,362,413) |
| Total Net Position | \$ 348,532,744 | \$ 273,018,987 | \$ 621,551,731 | \$ (28,818,177) |

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

Page 1 of 2

| Functions/Programs | Expenses | Program Revenue | | |
|---------------------------------------|-----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Governmental Activities: | | | | |
| General government | \$ 15,675,644 | \$ 68,131 | \$ 112,149 | \$ |
| Administrative services | 7,876,517 | 2,678,310 | 500,000 | |
| Public safety - Police | 19,541,680 | 2,808,000 | 92,661 | |
| Public safety - Fire | 12,045,062 | 2,233,714 | | |
| Public works | 24,894,769 | 1,312,236 | 19,044 | 8,224,695 |
| Parks and recreation | 7,916,451 | 578,002 | 27,447 | 779,996 |
| Community development | 5,188,471 | 3,033,205 | 185,258 | |
| Interest on long-term debt | 5,910,083 | | | |
| Total governmental activities | <u>99,048,677</u> | <u>12,711,598</u> | <u>936,559</u> | <u>9,004,691</u> |
| Business-type activities: | | | | |
| Utility | 22,848,223 | 31,417,468 | | 2,215,309 |
| Regional Airport | 16,828,870 | 16,939,277 | 50,000 | 4,291,630 |
| Surface Water | 12,098,623 | 12,884,852 | | 135,000 |
| Solid Waste Management | 5,147,195 | 5,030,491 | 23,199 | |
| Total business-type activities | <u>56,922,911</u> | <u>66,272,088</u> | <u>73,199</u> | <u>6,641,939</u> |
| Total primary government | <u>\$ 155,971,588</u> | <u>\$ 78,983,686</u> | <u>\$ 1,009,758</u> | <u>\$ 15,646,630</u> |
| Component Units | | | | |
| Sugar Land 4B Corporation | \$ 3,246,277 | | \$ 154,031 | |
| Sugar Land Town Square Tax Increment | | | | |
| Reinvestment Zone No. 1 | 980,851 | | 628 | |
| Sugar Land Reinvestment Zone No. 3 | 6,710 | | | |
| Sugar Land Reinvestment Zone No. 4 | 2,895 | | | |
| Total component units | <u>\$ 4,236,733</u> | | <u>\$ 154,659</u> | |

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

Page 2 of 2

| | Net (Expense) Revenue and Changes in Net Assets | | | |
|---|---|--------------------------|------------------------|------------------------|
| | Primary Government | | | Component Units |
| Functions/Programs | Governmental Activities | Business-type Activities | Total | |
| Primary government | | | | |
| Governmental Activities: | | | | |
| General government | \$ (15,495,364) | \$ | \$ (15,495,364) | |
| Administrative services | (4,698,207) | | (4,698,207) | |
| Public safety - Police | (16,641,019) | | (16,641,019) | |
| Public safety - Fire | (9,811,348) | | (9,811,348) | |
| Public works | (15,338,794) | | (15,338,794) | |
| Parks and recreation | (6,531,006) | | (6,531,006) | |
| Community development | (1,970,008) | | (1,970,008) | |
| Interest on long-term debt | (5,910,083) | | (5,910,083) | |
| Total governmental activities | <u>(76,395,829)</u> | | <u>(76,395,829)</u> | |
| Business-type activities: | | | | |
| Utility | | 10,784,554 | 10,784,554 | |
| Regional Airport | | 4,452,037 | 4,452,037 | |
| Surface Water | | 921,229 | 921,229 | |
| Solid Waste Management | | (93,505) | (93,505) | |
| Total business-type activities | | <u>16,064,315</u> | <u>16,064,315</u> | |
| Total primary government | <u>\$ (76,395,829)</u> | <u>\$ 16,064,315</u> | <u>\$ (60,331,514)</u> | |
| Component Units | | | | |
| Sugar Land 4B Corporation | | | | \$ (3,092,246) |
| Sugar Land Town Square Tax Increment | | | | |
| Reinvestment Zone No. 1 | | | | (980,223) |
| Sugar Land Reinvestment Zone No. 3 | | | | (6,710) |
| Sugar Land Reinvestment Zone No. 4 | | | | (2,895) |
| Total component units | | | | <u>(4,082,074)</u> |
| General revenues: | | | | |
| Property taxes | 31,367,793 | | 31,367,793 | 1,193,387 |
| Sales tax | 43,453,673 | | 43,453,673 | 6,207,669 |
| Franchise and other taxes | 8,373,935 | | 8,373,935 | |
| Investment earnings | 240,913 | 117,683 | 358,596 | 3,641 |
| Miscellaneous | 1,393,438 | 580,735 | 1,974,173 | 296,280 |
| Transfers | <u>7,161,781</u> | <u>(7,161,781)</u> | | |
| Total general revenues and transfers | <u>91,991,533</u> | <u>(6,463,363)</u> | <u>85,528,170</u> | <u>7,700,977</u> |
| Change in net position | 15,595,704 | 9,600,952 | 25,196,656 | 3,618,903 |
| Net position - beginning | <u>332,937,040</u> | <u>263,418,035</u> | <u>596,355,075</u> | <u>(32,437,080)</u> |
| Net position - ending | <u>\$ 348,532,744</u> | <u>\$ 273,018,987</u> | <u>\$ 621,551,731</u> | <u>\$ (28,818,177)</u> |

See Notes to the Financial Statements.

CITY OF SUGAR LAND, TEXAS**BALANCE SHEET****GOVERNMENTAL FUNDS***September 30, 2014*

| | General Fund | Debt Service Fund | Capital Projects Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|-------------------------|----------------------------------|----------------------------------|---|---|
| Assets | | | | | |
| Cash and cash equivalents | \$ 1,889,499 | \$ 853,843 | \$ 7,914,674 | \$ 7,657,805 | \$ 18,315,821 |
| Investments | 24,462,783 | 3,246,262 | 14,217,274 | 16,983,962 | 58,910,281 |
| Receivables, net of allowance for uncollectibles | 8,078,379 | 183,042 | 99,524 | 4,093,261 | 12,454,206 |
| Interest receivable | 30,680 | 3,086 | 15,072 | 23,847 | 72,685 |
| Due from other governments | 244,100 | | 637,950 | 61,533 | 943,583 |
| Inventories | 217,124 | | | | 217,124 |
| Prepaid items | 25,655 | | | 2,740 | 28,395 |
| Restricted Cash | | | 1,369,887 | | 1,369,887 |
| Total Assets | \$ 34,948,220 | \$ 4,286,233 | \$ 24,254,381 | \$ 28,823,148 | \$ 92,311,982 |
| Liabilities | | | | | |
| Accounts payable | \$ 3,368,008 | \$ | \$ 1,126,136 | \$ 1,680,543 | \$ 6,174,687 |
| Accrued expenditures | 2,338,953 | | | 7,809 | 2,346,762 |
| Customer deposits | 116,235 | | | | 116,235 |
| Due to other funds | | | | | |
| Payable to other governments | | | | | |
| Unearned revenue | 128,749 | | 23,791 | | 152,540 |
| Total Liabilities | 5,951,945 | | 1,149,927 | 1,688,352 | 8,790,224 |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue | 731,763 | 181,222 | 290,000 | 2,198,243 | 3,401,228 |
| Total Deferred Inflows of Resources | 731,763 | 181,222 | 290,000 | 2,198,243 | 3,401,228 |
| Fund Balances | | | | | |
| Nonspendable | | | | | |
| Inventories | 217,124 | | | | 217,124 |
| Prepaid items | 25,655 | | | 2,740 | 28,395 |
| Restricted | | | | | |
| Debt service | | 4,105,011 | | 7,343,964 | 11,448,975 |
| Capital projects | | | 22,814,454 | 971,392 | 23,785,846 |
| Development activities | | | | 16,408,537 | 16,408,537 |
| Public safety | | | | 209,920 | 209,920 |
| Committed | 3,091,704 | | | | 3,091,704 |
| Assigned | 385,205 | | | | 385,205 |
| Unassigned | 24,544,824 | | | | 24,544,824 |
| Total Fund Balances | 28,264,512 | 4,105,011 | 22,814,454 | 24,936,553 | 80,120,530 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 34,948,220 | \$ 4,286,233 | \$ 24,254,381 | \$ 28,823,148 | \$ 92,311,982 |

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE****STATEMENT OF NET POSITION***September 30, 2014*

Total fund balance, governmental funds \$ 80,120,530

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. The cost of the assets is \$679,922,444 and the accumulated depreciation is \$270,117,217. 409,805,226

Long-term receivables are not available to pay for current period expenditures and, therefore, are not reported as assets in the governmental funds. 1,001,965

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 3,401,228

Deferred charge on refunding 1,005,506

Long-term liabilities, including bonds payable, compensated absences, and sales tax payable are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements. Liabilities at year end related to bonds payable, compensated absences, and sales tax payable consists of:

| | | |
|-----------------------------------|------------------|---------------|
| Bonds payable, at maturity | \$ (148,681,995) | |
| Accrued interest on the bonds | (727,631) | |
| Premium/discount of bonds payable | (1,731,326) | |
| Capital lease obligation | (954,273) | |
| Compensated absences | (2,515,401) | |
| Sales tax payable | (762,492) | |
| | <hr/> | |
| | | (155,373,118) |

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

8,571,407

Net Position of Governmental Activities in the Statement of Net Position \$ 348,532,744

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

| | General Fund | Debt Service Fund | Capital Projects Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|-------------------------|----------------------------------|--------------------------------------|---|---|
| Revenues | | | | | |
| Taxes: | | | | | |
| Property taxes | \$ 17,616,800 | \$ 13,739,782 | \$ | \$ | \$ 31,356,582 |
| Sales tax | 36,864,046 | | | 6,144,008 | 43,008,054 |
| Franchise and other taxes | 5,867,489 | | | 2,506,446 | 8,373,935 |
| Licenses and permits | 3,033,205 | | | | 3,033,205 |
| Fines and forfeitures | 1,891,729 | | | 2,072,324 | 3,964,053 |
| Charges for services | 3,222,666 | | 1,254,750 | | 4,477,416 |
| Investment earnings | 184,450 | 6,722 | 11,114 | 32,748 | 235,034 |
| Intergovernmental | 819,737 | 308,936 | 11,396,445 | 1,489,755 | 14,014,873 |
| Other | 409,621 | | 867,980 | 22,730 | 1,300,331 |
| Total Revenues | 69,909,743 | 14,055,440 | 13,530,289 | 12,268,011 | 109,763,483 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 11,193,575 | | | 2,741,004 | 13,934,579 |
| Administrative services | 6,032,405 | 1,544,937 | 3,225 | 163,354 | 7,743,921 |
| Public Safety - Police | 17,408,143 | | | 1,283,388 | 18,691,531 |
| Public Safety - Fire | 10,882,105 | | | | 10,882,105 |
| Public Works | 9,444,192 | | 4,503,112 | | 13,947,304 |
| Parks and recreation | 5,548,147 | | 1,177,889 | | 6,726,036 |
| Community development | 4,917,761 | | | | 4,917,761 |
| Debt Service: | | | | | |
| Principal | 333,511 | 11,092,601 | | 790,000 | 12,216,112 |
| Interest and other charges | 31,539 | 4,969,398 | | 717,000 | 5,717,937 |
| Bond issuance costs | | | 322,504 | | 322,504 |
| Capital Outlay | | | 16,536,376 | 5,135,996 | 21,672,372 |
| Total Expenditures | 65,791,378 | 17,606,936 | 22,543,106 | 10,830,742 | 116,772,162 |
| Excess (deficiency) of revenues over expenditures | <u>4,118,365</u> | <u>(3,551,496)</u> | <u>(9,012,817)</u> | <u>1,437,269</u> | <u>(7,008,679)</u> |
| Other Financing Sources (Uses) | | | | | |
| Certificates of obligation issued | | | 24,440,000 | | 24,440,000 |
| Revenue bonds issued | | | | 7,200,000 | 7,200,000 |
| Premium on debt issued | | | 201,566 | | 201,566 |
| Sale of capital assets | 54,949 | | | | 54,949 |
| Transfers in | 4,484,194 | 4,513,082 | 4,342,527 | 454,550 | 13,794,353 |
| Transfers (out) | (7,056,500) | (86,783) | (674,500) | (1,866,879) | (9,684,662) |
| Total other Financing Sources and Uses | <u>(2,517,357)</u> | <u>4,426,299</u> | <u>28,309,593</u> | <u>5,787,671</u> | <u>36,006,206</u> |
| Net change in fund balances | 1,601,008 | 874,803 | 19,296,776 | 7,224,940 | 28,997,527 |
| Fund balances - beginning | <u>26,663,504</u> | <u>3,230,208</u> | <u>3,517,678</u> | <u>17,711,613</u> | <u>51,123,003</u> |
| Fund balances - ending | <u>\$ 28,264,512</u> | <u>\$ 4,105,011</u> | <u>\$ 22,814,454</u> | <u>\$ 24,936,553</u> | <u>\$ 80,120,530</u> |

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

| | |
|---|----------------------|
| Net change in fund balances - total governmental funds: | \$ 28,997,527 |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | |
| Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. | |
| This is the amount by which depreciation (\$14,758,061) is exceeded by capital outlays (\$23,098,863) in the current period. | 8,340,802 |
| Donated infrastructure does not represent current assets, and therefore is not recognized as revenue in governmental fund financials. The total amount is, however, reflected in the government wide financial statements as program revenue. | 3,262,783 |
| Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. | (5,672) |
| Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. | 1,250,384 |
| Governmental funds report proceeds from new debt as a current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. | (26,525,312) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. | |
| Changes in accrued interest | 130,358 |
| Changes in accrued compensated absences | (221,905) |
| Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. | 366,739 |
| Change in net position of governmental activities | <u>\$ 15,595,704</u> |

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2014

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities |
|---|---|----------------------|----------------------|-------------------|-----------------------|-------------------------|
| | Utility Fund | Airport Fund | Surface Water Fund | Solid Waste Fund | Total | Internal Service Funds |
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 23,525 | \$ 3,171,124 | \$ 2,587,631 | \$ 27,995 | \$ 5,810,275 | \$ 2,207,747 |
| Cash with fiscal agent | | | | | | 342,000 |
| Investments | 4,494,687 | 1,749,246 | 8,748,500 | | 14,992,433 | 2,993,364 |
| Accounts receivable, net of allowance for doubtful accounts | 3,355,284 | 235,702 | 676,386 | 659,531 | 4,926,903 | 88,608 |
| Receivables from other governments | | | | 3,859 | 3,859 | |
| Interest receivable | 42,604 | 2,177 | 14,689 | | 59,470 | 2,494 |
| Inventories | 151,325 | 209,212 | | | 360,537 | |
| Prepaid items | 155 | | | | 155 | 22,946 |
| Restricted cash and investments | 47,913,654 | 1,599,868 | 10,421,561 | | 59,935,083 | |
| Total current assets | 55,981,234 | 6,967,329 | 22,448,767 | 691,385 | 86,088,715 | 5,657,159 |
| Non-current assets: | | | | | | |
| Capital assets not being depreciated: | | | | | | |
| Land | 2,321,552 | 16,848,126 | 804,373 | | 19,974,051 | |
| Intangibles | 78,679 | | 210,870 | | 289,549 | |
| Construction in progress | 7,200,483 | 934,510 | 1,612,240 | | 9,747,233 | |
| Capital assets being depreciated: | | | | | | |
| Infrastructure | 336,757,682 | 45,780,439 | 105,632,855 | | 488,170,976 | |
| Buildings and improvements | 1,127,898 | 17,448,085 | 393,788 | | 18,969,771 | |
| Equipment and furniture | 4,184,314 | 4,601,220 | 256,086 | | 9,041,620 | 8,961,180 |
| Intangibles | 127,704 | | | | 127,704 | |
| Less Accumulated depreciation | (130,575,860) | (20,744,575) | (3,373,505) | | (154,693,940) | (6,766,634) |
| Total non-current assets | 221,222,452 | 64,867,805 | 105,536,707 | | 391,626,964 | 2,194,546 |
| Total assets | 277,203,686 | 71,835,134 | 127,985,474 | 691,385 | 477,715,679 | 7,851,705 |
| Deferred Outflows of Resources | | | | | | |
| Deferred charge on refunding | 479,002 | 263,400 | | | 742,402 | |
| Total deferred outflows of resources | 479,002 | 263,400 | | | 742,402 | |
| Liabilities | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued expenses | 4,539,548 | 576,889 | 1,356,231 | 448,838 | 6,921,506 | 2,129,856 |
| Accrued interest payable | 271,289 | 46,998 | 586,220 | | 904,507 | |
| Customer deposits | 3,477,360 | 94,220 | | | 3,571,580 | |
| Compensated absences | 10,000 | | | | 10,000 | |
| Bonds and certificates of obligation payable | 5,029,435 | 672,399 | 2,473,664 | | 8,175,498 | |
| Total current liabilities | 13,327,632 | 1,390,506 | 4,416,115 | 448,838 | 19,583,091 | 2,129,856 |
| Non-current liabilities: | | | | | | |
| Compensated absences | 130,447 | 106,610 | 21,059 | 8,054 | 266,170 | |
| Bonds and certificates of obligation payable | 70,720,141 | 9,951,353 | 102,068,780 | | 182,740,274 | |
| Total non-current liabilities | 70,850,588 | 10,057,963 | 102,089,839 | 8,054 | 183,006,444 | |
| Total liabilities | 84,178,220 | 11,448,469 | 106,505,954 | 456,892 | 202,589,535 | 2,129,856 |
| Net Position | | | | | | |
| Net investment in capital assets | 167,777,825 | 54,955,986 | 6,622,078 | | 229,355,889 | 2,194,546 |
| Restricted for capital projects | 12,420,754 | 432,588 | 529,293 | | 13,382,635 | |
| Restricted for debt service | 9,206,942 | 671,749 | 3,683,521 | | 13,562,212 | |
| Unrestricted | 4,098,947 | 4,589,742 | 10,644,628 | 234,493 | 19,567,810 | 3,527,303 |
| Total Net Position | \$ 193,504,468 | \$ 60,650,065 | \$ 21,479,520 | \$ 234,493 | \$ 275,868,546 | \$ 5,721,849 |

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the Business Activities of the Statement of Net Position.

(2,849,559)

Total Net Position per Government-Wide financial statements

\$ 273,018,987

CITY OF SUGAR LAND, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended September 30, 2014

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities |
|--|--|----------------------|---------------------------|-------------------------|-----------------------|--------------------------------|
| | Utility Fund | Airport Fund | Surface Water Fund | Solid Waste Fund | Total | Internal Service Funds |
| Revenues | | | | | | |
| Charges for services | \$ 31,417,468 | \$ 16,939,277 | \$ 12,884,852 | \$ 5,030,491 | \$ 66,272,088 | \$ 6,567,186 |
| Miscellaneous | 13,132 | | | 530,525 | 543,657 | |
| Total Operating Revenues | <u>31,430,600</u> | <u>16,939,277</u> | <u>12,884,852</u> | <u>5,561,016</u> | <u>66,815,745</u> | <u>6,567,186</u> |
| Operating Expenses | | | | | | |
| Personnel services | 3,122,500 | 2,247,790 | 664,919 | 164,195 | 6,199,404 | 43,131 |
| Supplies and materials | 217,821 | 10,315,154 | 89,635 | 28,154 | 10,650,764 | 796,834 |
| Contractual services | 3,427,598 | 603,012 | 2,377,308 | 4,906,306 | 11,314,224 | 111,149 |
| Repairs and maintenance | 3,902,551 | 349,395 | 990,433 | 956 | 5,243,335 | 11,171 |
| Other expenses | 610,771 | 489,986 | 148,250 | 40,580 | 1,289,587 | 8,058,758 |
| Depreciation | 8,556,262 | 2,172,530 | 3,112,908 | | 13,841,700 | 1,046,820 |
| Total Operating Expenses | <u>19,837,503</u> | <u>16,177,867</u> | <u>7,383,453</u> | <u>5,140,191</u> | <u>48,539,014</u> | <u>10,067,863</u> |
| Operating income (loss) | <u>11,593,097</u> | <u>761,410</u> | <u>5,501,399</u> | <u>420,825</u> | <u>18,276,731</u> | <u>(3,500,677)</u> |
| Non-Operating Revenues (Expenses) | | | | | | |
| Interest and investment revenue | 65,085 | 8,667 | 43,914 | 17 | 117,683 | 5,879 |
| Miscellaneous revenue | 23,465 | | 13,613 | | 37,078 | |
| Intergovernmental | | 50,000 | | 23,199 | 73,199 | |
| Gain (loss) on disposal of capital assets | | | | | | 85,437 |
| Interest expense | (2,641,176) | (342,038) | (4,676,672) | | (7,659,886) | |
| Total Non-operating Revenue (Expenses) | <u>(2,552,626)</u> | <u>(283,371)</u> | <u>(4,619,145)</u> | <u>23,216</u> | <u>(7,431,926)</u> | <u>91,316</u> |
| Income (loss) before contributions and transfers | 9,040,471 | 478,039 | 882,254 | 444,041 | 10,844,805 | (3,409,361) |
| Capital contributions | 2,215,309 | 4,291,630 | 135,000 | | 6,641,939 | |
| Transfers in | | 600,903 | 543,697 | | 1,144,600 | 3,052,090 |
| Transfers out | (6,886,460) | (674,200) | (478,469) | (267,252) | (8,306,381) | |
| Change in net position | <u>4,369,320</u> | <u>4,696,372</u> | <u>1,082,482</u> | <u>176,789</u> | <u>10,324,963</u> | <u>(357,271)</u> |
| Total net position - beginning | <u>189,135,148</u> | <u>55,953,693</u> | <u>20,397,038</u> | <u>57,704</u> | <u>265,543,583</u> | <u>6,079,120</u> |
| Total net position - ending | <u>\$ 193,504,468</u> | <u>\$ 60,650,065</u> | <u>\$ 21,479,520</u> | <u>\$ 234,493</u> | <u>\$ 275,868,546</u> | <u>\$ 5,721,849</u> |
| Change in net position per above | | | | | \$ 10,324,963 | |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with Business Activities. | | | | | (724,011) | |
| Change in Business-Type Activities in Net Position per Government-Wide Financial Statements | | | | | <u>\$ 9,600,952</u> | |

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities Internal Service Funds |
|--|--|---------------------|---------------------------|-------------------------|----------------------|---|
| | Utility Fund | Airport Fund | Surface Water Fund | Solid Waste Fund | Total | |
| Cash Flows from Operating Activities: | | | | | | |
| Receipts from customers and users | \$ 34,008,292 | \$16,988,228 | \$12,878,962 | \$ 5,402,358 | \$ 69,277,840 | \$ 6,573,591 |
| Disbursed for personnel services | (3,114,166) | (2,232,413) | (638,513) | (161,101) | (6,146,193) | (43,131) |
| Disbursed for goods and services | (11,512,683) | (11,692,529) | (4,378,461) | (4,993,362) | (32,577,035) | (8,563,244) |
| activities | 19,381,443 | 3,063,286 | 7,861,988 | 247,895 | 30,554,612 | (2,032,784) |
| Cash Flows from Non-Capital Financial Activities: | | | | | | |
| Transfers from other funds | | 600,903 | 543,697 | | 1,144,600 | 3,052,090 |
| Transfers to other funds | (6,886,460) | (674,200) | (478,469) | (267,252) | (8,306,381) | |
| Operating grants and contributions | | 100,000 | | 19,340 | 119,340 | |
| Net cash provided (used) by noncapital financing activities | (6,886,460) | 26,703 | 65,228 | (247,912) | (7,042,441) | 3,052,090 |
| Cash Flows from Capital and Related Financing Activities: | | | | | | |
| Proceeds from the sale of equipment | | | | | | 94,099 |
| Proceeds from the sale of bonds | 15,765,000 | 730,000 | | | 16,495,000 | |
| Interest payments on debt | (2,708,523) | (342,652) | (4,621,527) | | (7,672,702) | |
| Principal payments on debt | (4,707,524) | (617,399) | (2,402,476) | | (7,727,399) | |
| Acquisition and construction of capital assets | (8,515,101) | (322,006) | (2,629,911) | | (11,467,018) | (889,165) |
| Net cash used by capital and related financing activities | (166,148) | (552,057) | (9,653,914) | | (10,372,119) | (795,066) |
| Cash Flows from Investing Activities | | | | | | |
| Purchase of investments | (9,700,078) | (749,737) | | | (10,449,815) | |
| Sale of investments | | | 3,018,478 | | 3,018,478 | (1,245,256) |
| Interest received | 39,418 | 7,272 | 42,625 | 17 | 89,332 | 4,983 |
| Net cash provided (used) by investing activities | (9,660,660) | (742,465) | 3,061,103 | 17 | (7,342,005) | (1,240,273) |
| Net increase (decrease) in cash and equivalents | 2,668,175 | 1,795,467 | 1,334,405 | | 5,798,047 | (1,016,033) |
| Cash and equivalents, beginning of year | 13,549,792 | 2,975,525 | 6,433,634 | 27,995 | 22,986,946 | 3,223,780 |
| Cash and equivalents, at end of year | \$ 16,217,967 | \$ 4,770,992 | \$ 7,768,039 | \$ 27,995 | \$ 28,784,993 | \$ 2,207,747 |
| Unrestricted cash and equivalents | \$ 23,525 | \$ 3,171,124 | \$ 2,587,631 | \$ 27,995 | \$ 5,810,275 | \$ 2,207,747 |
| Restricted cash and equivalents | 16,194,442 | 1,599,868 | 5,180,408 | | 22,974,718 | |
| | \$ 16,217,967 | \$ 4,770,992 | \$ 7,768,039 | \$ 27,995 | \$ 28,784,993 | \$ 2,207,747 |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | | |
| Operating income (loss) | \$ 11,593,097 | \$ 761,410 | \$ 5,501,399 | \$ 420,825 | \$ 18,276,731 | \$ (3,500,677) |
| Adjustments to reconcile operating income to cash provided by operating activities: | | | | | | |
| Depreciation | 8,556,262 | 2,172,530 | 3,112,908 | | 13,841,700 | 1,046,820 |
| (Increase) decrease in accounts receivable | 1,947,097 | 42,066 | (5,890) | (158,658) | 1,824,615 | (75,787) |
| (Increase) decrease in inventory | 22,242 | 26,429 | 3,869 | | 48,671 | |
| (Increase) decrease in prepaid items | 5,574 | 3,869 | 16,486 | | 25,929 | (2,346) |
| Increase (decrease) in accounts payable | (3,381,758) | 34,720 | (789,321) | (17,366) | (4,153,725) | 499,206 |
| Increase (decrease) in salaries payable | 8,334 | 15,377 | 26,406 | 3,094 | 53,211 | |
| Increase (decrease) in customer deposits | 630,595 | 6,885 | | | 637,480 | |
| Net cash provided by operating activities | \$ 19,381,443 | \$ 3,063,286 | \$ 7,861,988 | \$ 247,895 | \$ 30,554,612 | \$ (2,032,784) |
| Non-cash Transactions: | | | | | | |
| Capital assets contributed to City | \$ 2,215,309 | \$ 4,291,630 | \$ 135,000 | \$ | \$ 6,506,939 | |

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS

DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES

COMBINING STATEMENT OF NET POSITION

September 30, 2014

| | Sugar Land 4B Corporation | Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 | Sugar Land Reinvestment Zone No. 3 | Sugar Land Reinvestment Zone No. 4 | Total Component Units |
|---|--|---|---|---|--------------------------------------|
| Assets | | | | | |
| Cash and equivalents | \$ 474,327 | \$ 139,484 | \$ 48,374 | \$ 124,434 | \$ 786,619 |
| Investments | 3,489,193 | | | | 3,489,193 |
| Receivables-less allowance for uncollectibles | 1,067,832 | 6,469 | | | 1,074,301 |
| Prepaid items | 1,639 | | | | 1,639 |
| Restricted cash and investments | 3,633,443 | | 5,685 | | 3,639,128 |
| Total Assets | 8,666,434 | 145,953 | 54,059 | 124,434 | 8,990,880 |
| Deferred Outflows of Resources | | | | | |
| Deferred charge on refunding | 198,057 | | | | 198,057 |
| Total Deferred Outflows of Resources | 198,057 | | | | 198,057 |
| Liabilities | | | | | |
| Accounts payable and accrued expenses | 120,919 | | 2,624 | | 123,543 |
| Accrued interest | 206,157 | | | | 206,157 |
| Non-current liabilities: | | | | | |
| Due within one year | 1,836,064 | | | | 1,836,064 |
| Due in more than one year | 35,841,350 | | | | 35,841,350 |
| Total Liabilities | 38,004,490 | | 2,624 | | 38,007,114 |
| Net Position | | | | | |
| Restricted-debt service | 3,427,286 | | | | 3,427,286 |
| Restricted-development activities | | 145,953 | 51,435 | 124,434 | 321,822 |
| Unrestricted | (32,567,285) | | | | (32,567,285) |
| Total Net Position | \$ (29,139,999) | \$ 145,953 | \$ 51,435 | \$ 124,434 | \$ (28,818,177) |

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS

DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES

COMBINING STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

| | | Program Revenues | Net (Expense) Revenue and Changes in Net Position | | | | |
|--|---------------------|------------------------------------|---|--|------------------------------------|------------------------------------|------------------------|
| | | | | Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 | Sugar Land Reinvestment Zone No. 3 | Sugar Land Reinvestment Zone No. 4 | |
| Functions/Programs | Expenses | Operating Grants and Contributions | Sugar Land 4B Corporation | | | | Totals |
| Component Unit: | | | | | | | |
| Sugar Land 4B Corporation | \$ 3,246,277 | \$ 154,031 | \$ (3,092,246) | \$ | \$ | \$ | \$ (3,092,246) |
| Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 | 980,851 | 628 | | (980,223) | | | (980,223) |
| Sugar Land Reinvestment Zone No. 3 | 6,710 | | | | (6,710) | | (6,710) |
| Sugar Land Reinvestment Zone No. 4 | 2,895 | | | | | (2,895) | (2,895) |
| | <u>\$ 4,236,733</u> | <u>\$ 154,659</u> | <u>(3,092,246)</u> | <u>(980,223)</u> | <u>(6,710)</u> | <u>(2,895)</u> | <u>(4,082,074)</u> |
| General revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | 1,062,155 | 7,341 | 123,891 | 1,193,387 |
| Sales tax | | | 6,207,669 | | | | 6,207,669 |
| Miscellaneous | | | 296,280 | | | | 296,280 |
| Unrestricted investment earnings | | | 2,328 | 1,178 | 66 | 69 | 3,641 |
| Total general revenues | | | <u>6,506,277</u> | <u>1,063,333</u> | <u>7,407</u> | <u>123,960</u> | <u>7,700,977</u> |
| Change in net position | | | 3,414,031 | 83,110 | 697 | 121,065 | 3,618,903 |
| Net position, beginning | | | <u>(32,554,030)</u> | <u>62,843</u> | <u>50,738</u> | <u>3,369</u> | <u>(32,437,080)</u> |
| Net position, ending | | | <u>\$ (29,139,999)</u> | <u>\$ 145,953</u> | <u>\$ 51,435</u> | <u>\$ 124,434</u> | <u>\$ (28,818,177)</u> |

See Notes to Financial Statements.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

The City of Sugar Land, Texas, (the "City") was incorporated in 1959 and adopted a "Home Rule Charter" in November 1980. The Charter, as amended, provides for a Council-Manager form of government. The Council is composed of a Mayor and six Council Members, two of which are elected at large and four of which are elected by District, each serving two-year terms. The Mayor and Council Members can serve no more than four consecutive regular two-year terms.

The Mayor presides at Council meetings and is entitled to vote on all matters considered by Council. All powers of the City are vested in the Council. Such powers include: appointment of the City Manager, boards, and commissions; adoption of the budget; authorization of bond issues; and adoption of ordinances and resolutions as deemed necessary, desirable, and beneficial to the City.

A. Financial Reporting Entity

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by accounting principles generally accepted in the United States of America, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other legal entities or organizations that are financially accountable to the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and as a result, data from these units are combined with data of the primary government. Based on these considerations, the City's financial statements include the Sugar Land Development Corporation as a blended component unit. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Based on these considerations, the City's financial statements include the following discretely presented component units: the Sugar Land 4B Corporation, the Sugar Land Town Square TIRZ 1, the Sugar Land TIRZ 3, and the Sugar Land TIRZ 4. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are; that it has a separately elected Governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include; considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Blended Component Unit:

Sugar Land Development Corporation

The Sugar Land Development Corporation (the "Corporation") has been included in the reporting entity as a blended component unit. In 1993, the Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. Effective October 1, 2005, the Board of Directors consists of members of the City Council. In the event of dissolution, net position of the Corporation shall be conveyed to the City. The Corporation is blended rather than discretely presented because the Corporation's governing body is the same as the City's and the management of the City has operational responsibility for the Corporation.

Discretely Presented Component Units:

Sugar Land 4B Corporation

In 1995, the City of Sugar Land formed the Sugar Land 4B Corporation (the "4B Corporation"), which was created by voters approving an additional sales tax. State law allows the City to collect sales tax to assist in the promotion and development activities of the City. The 4B Corporation, which has one fund, has been included as a discretely presented component unit in the City's financial statements. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the 4B Corporation shall be conveyed to the City.

Sugar Land Town Square Tax Increment Reinvestment Zone No. 1

In 2000, the City of Sugar Land formed the Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 (TIRZ 1), which was created under the authority of Tax Increment Financing Act, as codified as Chapter 311 of the Texas Tax Code. TIRZ 1 is a financing and management tool for the City in providing public facilities and infrastructure for a 32-acre multi-use development. TIRZ 1, which has one fund, has been presented as a discretely presented component unit in the City's financial statements. The Board of Directors consists of nine members. Fort Bend County appoints one position, the State Senator appoints one position and the State Representative of the area included within the zone appoints one position. The remaining six members are appointed by City Council. City Council has the authority to approve or disapprove TIRZ 1 projects.

Sugar Land Reinvestment Zone No. 3

In 2007, the City of Sugar Land formed the Sugar Land Reinvestment Zone No. 3 (TIRZ 3), which was created under the provisions of the Chapter 311 of the Texas Tax Code for the purposes of promoting and development and redevelopment of a contiguous area within the City. TIRZ 3 is a financial tool with resources from property and sales taxes to be utilized in providing public improvements in TIRZ 3. TIRZ 3, which has one fund, has been presented as a discretely presented component unit in the City's financial statements. The Board of Directors consists of five members. The City Council has the authority to appoint the members; however, Fort Bend County shall be entitled to appoint a member if the County approves a payment to the tax increment fund in which the tax collections will be held. The remaining four members are appointed by City Council. City Council has the authority to approve or disapprove TIRZ 3 projects.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS *(continued)*

Note 1 – Summary of Significant Accounting Policies *(continued)*

A. Financial Reporting Entity *(continued)*

Sugar Land Reinvestment Zone No. 4

In 2009, the City of Sugar Land formed Reinvestment Zone Number Four (TIRZ 4) through Ordinance 1768 under the provisions of Chapter 311 of the Texas Tax Code. The purpose of the Zone is to use tax increment revenue to finance public improvements and facilities necessary to support the development of a high-quality mixed use urban center with retail, office and entertainment uses. The City will participate at a rate of 50 percent of their ad valorem tax rate over the 30 year life of the Zone. Fort Bend County Municipal Utility District Nos. 138 and 139 have agreed to contribute the same amount as the City, while Fort Bend County Municipal Utility District No. 137 has yet to formalize a participation agreement. Participation agreements were formalized with Fort Bend County and the Fort Bend County Drainage District in January 2014. These agreements provide for 50 percent participation Years 2014 through 2029, 30 percent Years 2030 through 2034, and 20 percent Years 2035 through 2039; however, revenues will not be captured until Tax Year 2014 (Fiscal Year 2015). The Board of Directors for TIRZ 4 consists of nine members, with four members appointed by the City, and one member appointed by each of the remaining taxing entities. Board members representing taxing entities that have yet to participate in the Zone have not been officially accepted as full recommending and voting members. The City Council has the final authority to approve or disapprove the TIRZ 4 Final Project Plan. TIRZ 4, which has one fund, has been presented as a discretely presented component unit in the City's financial statements.

Separately issued audited financial statements are not issued for the discretely presented component units. Information on the discretely presented component units is presented as separate combining statements within the basic financial statements of the City (following the basic financial statements for the funds). Unaudited financial statements may be obtained from the City's Finance Department.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges between the City's business-type and governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements and all proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets, deferred outflows of resources, and all liabilities associated with the operations of these activities are included on the statements of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Furniture and equipment capitalized in the Proprietary Fund Types are valued at cost.

The governmental fund financial statements are presented on a *current financial resources measurement focus* and *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include sales and use taxes, franchise taxes, charges for services and interest on temporary investments. Property tax levies collected after the fiscal year-end, which would be available to finance current operations, are immaterial and remain deferred. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental funds are those funds through which most governmental functions are typically financed. The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, administrative services, public works, parks and recreation, community development, and public safety.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The Debt Service Fund is considered a major fund for reporting purposes.

The *Capital Projects Fund* is used to account for the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The Capital Projects Fund is considered a major fund for reporting purposes.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The City's Business type activities consist of the following major proprietary funds:

The *Utility Fund* is used to account for the City's water and wastewater services. The primary source of revenue is charges for service and the expenditures relate to operating expenses and capital expenditures for purchases and improvements.

The *Airport Fund* is used to account for the City's airport services. The primary source of revenue is charges for service and the expenditures relate to operating expenses and capital expenditures for purchases and improvements.

The *Surface Water Fund* is used to account for the City's surface water services. The primary source of revenue is charges for service and the expenditures relate to operating expenses and capital expenditures for purchases and improvements.

The *Solid Waste Fund* is used to account for the City's solid waste services. The primary source of revenue is charges for service and the expenditures relate to operating expenses.

The *Enterprise Funds* are used to account for the operations that provide water and wastewater utility services to the public, solid waste disposal operations, and general aviation services. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Additionally, the City maintains *Internal Service Funds* used to account for the financing of goods or services provided by one department or program to other departments or programs of the City on a cost-reimbursement basis. These funds are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial activities of the internal service funds are presented in the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate function/program (general government, public safety, public works, etc.) in the statement of activities. Goods and services provided by the Internal Service Funds include employee health benefits, fleet replacement and high technology replacement.

The City uses the following classifications to describe the relative spending constraints on the various categories of fund balance. These clearly defined fund balance categories make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – amounts that are not in spendable form or are legally or contractually required to be maintained intact.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Restricted fund balance – amounts that are subject to external restrictions from creditors, grantors, contributors, or laws of other governments.

Committed fund balance – amounts constrained for specific purposes as determined by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level of action to remove or change the constraint. The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. City Council will approve obligations of funds, such as multi-year contracts, prior to the end of the fiscal year.

Assigned fund balance – amounts the City intends to use for a specific purpose that is neither restricted or committed and includes the remaining positive fund balance of all governmental funds except for the General Fund. Balances for encumbrances, other than those committed by City Council, fall into this category. Intent can be established by City Council or delegated to the City Manager. City Council has by Resolution 14-24 authorized the City Manager to assign fund balance.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City will typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The City will maintain the General Fund unassigned fund balance equivalent to three months of normal recurring operating costs, based on current year budgeted expenditures. If the fund balance exceeds this amount, the amount in excess of policy requirements may be utilized to fund one-time expenditures in the next fiscal year's budget.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as assigned fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are appropriately provided for in the subsequent year's budget.

As of September 30, 2014, outstanding purchase orders totaled \$3,476,909. These were the result of normal operations. As such, the City has committed \$3,091,704 and assigned \$385,205 in the General Fund.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS *(continued)*

Note 1 – Summary of Significant Accounting Policies *(continued)*

E. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in a privately managed public funds investment pool ("TexPool") and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the Proprietary Fund Types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

The City pools excess cash of the various individual funds to purchase these investments. These pooled investments are reported in the combined balance sheet as Investments in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund, monthly, based on their respective share of investments in the pooled investments.

F. Investments

Investments consist of United States (U.S.) Government and Agency securities and certificates of deposits. The City reports all investments at fair value based on quoted market prices at year-end date.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Utility System Fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

H. Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed. These receivables and payables are classified as "due from other funds" or "due to other funds" or "due from component unit/primary government" or "due to component unit/primary government" if the transactions are between the primary government and its component unit. Interfund receivables and payables which are not expected to be paid within 12 months are classified as loans from/loans to other funds, component units, or primary government

I. Inventories and Prepaid Items

Inventories of the General and Enterprise Funds are valued at the lesser of cost (weighted moving average) or fair value. Inventories for all funds consist of expendable supplies held for consumption, and the cost thereof is recorded as an expense/expenditure at the time the inventory items are issued (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS *(continued)*

Note 1 – Summary of Significant Accounting Policies *(continued)*

J. Restricted Assets

The Enterprise Funds have restricted certain cash and investments for customer deposits, reserve and emergency expenditures, capital improvements, cash restricted for others, and revenue bond debt service. Because of certain bond covenants, the Enterprise Fund is required to maintain prescribed amounts of resources that can be used only to service outstanding debt. The proceeds from debt are restricted for use on capital projects. Additionally, the Sugar Land Development Corporation and the Sugar Land 4B Corporation have restricted certain cash and investments for revenue bond debt service, and because of certain bond covenants, they are required to maintain prescribed amounts of resources that can be used only to service outstanding debt.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

L. Capital Assets

Capital assets used in governmental fund types of the government are recorded as expenditures of the General, Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Depreciation is recorded on capital assets on a government-wide basis. Property, Plant, and Equipment in the Proprietary Funds of the government are recorded at cost or at the estimated fair value at the date of donation if donated to the City. Property, Plant, and Equipment acquired from Municipal Utility Districts (MUDs) are recorded at the book value of the MUD at the date of dissolution. Major outlays for capital assets and improvements are capitalized in Proprietary Funds as projects are constructed and subsequently depreciated over their estimated useful lives on a straight-line basis at both the fund and government-wide levels. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and resulting gain or loss is included in the results of operations.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

L. Capital Assets (continued)

Depreciation has been provided for plant and equipment with estimated useful lives of three or more years and individual cost in excess of \$5,000 using the straight-line method over the following estimated useful life for the type of assets as follows:

| Asset Description | Estimated Useful Life |
|---|------------------------------|
| Vehicles | 3 to 7 years |
| Office furniture and equipment | 3 to 20 years |
| Machinery and equipment | 6 to 15 years |
| Water and wastewater system | 10 to 50 years |
| Airport facilities and improvements | 20 to 45 years |
| Buildings, facilities and land improvements | 15 to 45 years |
| Infrastructure | 20 to 50 years |
| Organizational cost of acquired MUDs | 40 years |

M. Compensated Absences

Employees earn vacation based on years of service with the City. Employees are paid unused vacation time to a maximum of 160 hours upon termination, depending on longevity, but may not otherwise elect to be paid in lieu of vacation.

Sick leave credit accrues at the rate of one day for each month of service. Full-time employees are, upon voluntary termination and in good standing or retirement, paid for unused sick leave to a maximum of 40 or 80 hours of such pay, depending on years of service. The General Fund has typically been used to liquidate governmental activity compensated absences in prior years.

N. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

O. Deficit Equity

The Employee Benefits Fund had deficit net position of \$578.2 thousand as of September 30, 2014. The deficit is due to the unfunded OPEB liability.

The Sugar Land 4B Corporation had deficit net position of approximately \$29.1 million as of September 30, 2014. The deficit results from the component unit issuing debt and constructing or purchasing capital assets which are then conveyed to the primary government as required by law.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

P. Budgets

Annual appropriated budgets are adopted for the General, Special Revenue (with the exception of Law Enforcement Grant Funds) and Debt Service Funds, using the same cash basis of accounting.

Note 2 - Deposits (Cash) and Investments

Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City's investment policy. The City's investment policy is more restrictive than the PFIA requires. It is the City's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully FDIC insured certificates of deposit, banker's acceptances, mutual funds, repurchase agreements and local government investment pools. The maximum maturity allowed is three years from date of purchase.

Deposit and Investment Amounts

The City's investment policy does not allow investments in commercial paper, collateralized mortgage obligations, floating rate investments or swaps.

The City's cash and investments are classified as: Cash and cash equivalents, investments, and restricted cash and investments. The cash and cash equivalents include cash on hand, deposits with financial institutions, and short-term investments in a privately-managed public funds investment pool account (TexPool). The investments which have maturities at purchase greater than three months consist mainly of U.S. Government treasury bills, treasury notes, and other U.S. Government obligations. The restricted cash and investments are assets restricted for specific use. The restricted cash and investments include cash with financial institutions, TexPool, and U.S. Government Securities. For better management of cash, the City pools the cash, based on the City's needs, into either deposits in the bank accounts, in short-term investments with TexPool, or in longer-term investments in U.S. Government Securities. However, each fund's balance of cash and investments is maintained in the books of the City.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments (continued)

Deposit and Investment Amounts

The following schedule shows the City's recorded cash and investments at year-end:

| | Total Fair Value | |
|--------------------------------|-------------------------------|----------------------------|
| | Primary Government | Component Units |
| Cash Deposits | \$ 40,578,473 | \$ 1,519,237 |
| Certificates of Deposit | 17,963,290 | 1,493,855 |
| Temporary Investments: | | |
| Government securities: | | |
| FHLB | 17,005,590 | 1,006,776 |
| FHLMC | 51,897,853 | 1,996,063 |
| FFCB | 18,992,269 | 997,201 |
| FNMA | 1,992,771 | |
| FAMCA | 6,004,670 | |
| Public Funds Investment Pools: | | |
| TexPool | 10,441,975 | 901,808 |
| | <u>\$ 164,876,891</u> | <u>\$ 7,914,940</u> |

At September 30, 2014, the City reported cash deposits in the amount of \$42,097,710 and the bank balance was \$42,264,384. \$342,000 of these totals represented cash deposits with a fiscal agent. The City's collateral requirement, in accordance with its investment policy is 102%. Of the bank balance, the entire amount was covered by federal depository insurance or by collateral held by the City's agent in the City's name, which totaled \$53,246,807 as of September 30, 2014.

Quoted market prices are the basis of the fair value for U.S. Agency securities. The amount of increase or decrease in the fair value of investments during the current year is included in the City's investment income as follows:

| | Primary Government | Component Units |
|---|-------------------------------|----------------------------|
| Interest income | \$ 595,910 | \$ 36,708 |
| Unrealized gain (loss) on temporary investments | (237,314) | (33,067) |
| Investment earnings | <u>\$ 358,596</u> | <u>\$ 3,641</u> |

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and investments (continued)

Investment Risks:

Interest Rate Risk

At year-end, the City had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles:

| | Fair Value | | Weighted Average Maturity (days) |
|---|-------------------------------|----------------------------|---|
| | Primary Government | Component Units | |
| Certificate of Deposits | \$ 17,963,290 | \$ 1,493,855 | 415 |
| Temporary Investments: | | | |
| Government securities: | | | |
| U.S. Agency Securities | 95,893,153 | 4,000,040 | 659 |
| Public Funds Investment Pools: | | | |
| TexPool | 10,441,975 | 901,808 | 48 |
| | <u>\$ 124,298,418</u> | <u>\$ 6,395,703</u> | |
| Portfolio weighted average maturity (days) | <u>572</u> | <u>516</u> | |

The City measures interest rate risk using the weighted average maturity method for the portfolio. The City's investment policy specifies a maximum weighted average maturity of 90 days for public fund investment pools and 1,095 days for securities. The targeted maximum weighted average maturity allowed, based on the stated maturity date, for the portfolio is 548 days or 18 months.

To the extent possible, the City attempts to match investments with anticipated cash flow requirements. The settlement date is considered the date of purchase.

Local Government Investment Pools

As of September 30, 2014, the City's investments included TexPool Investment Pools. The investment pool's investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool.

The value of the City's portions in TexPool is the same as the value of the shares. These external pooled funds operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The external pooled funds use amortized cost rather than market value to report net assets to compute share price, such funds have daily liquidity.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments (continued)

Concentration of Credit Risk

The City's investment policy allows investments by type based on the following diversification requirements:

| <u>Investment Type</u> | <u>Maximum Investment %</u> |
|-----------------------------------|-----------------------------|
| Repurchase Agreements | up to 50% |
| Certificates of Deposit | up to 50% |
| U.S. Treasury Bills/Notes | up to 100% |
| Other U.S. Government Securities | up to 75% |
| Authorized Investment Pools | up to 75% total |
| Bankers' Acceptances | up to 25% |
| No Load Money Market Mutual Funds | up to 50% |
| No Load Mutual Funds | up to 10% total |

The City had investments in U.S. Agency securities that exceeded five percent of the total investment portfolio at year-end. The City investment policy allows these investment levels for the portfolio.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Percentage of Total Portfolio</u> |
|--------------------------------|-----------------------|--------------------------------------|
| Certificates of Deposit | \$ 19,457,145 | 14.9% |
| Temporary Investments: | | |
| Government securities: | | |
| FHLB | 18,012,366 | 13.8% |
| FHLMC | 53,893,916 | 41.2% |
| FFCB | 19,989,470 | 15.3% |
| FNMA | 1,992,771 | 1.5% |
| FAMCA | 6,004,670 | 4.6% |
| Total government securities | 99,893,193 | 76.4% |
| Public Funds Investment Pools: | | |
| TexPool | 11,343,783 | 8.7% |
| | <u>\$ 130,694,121</u> | <u>100.0%</u> |

Credit Risk

At year-end balances in TexPool, a privately managed public funds investment pool was rated AAAm by Standard & Poor's.

Securities from Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC) and Federal Farm Credit Banks (FFCB) were all rated AA+ by Standard & Poor's, AAA by Fitch Ratings, and Aaa by Moody's Investors Service.

All credit ratings meet acceptable levels required by guidelines prescribed by both the PFIA and the City's investment policy. A public fund investment pool must be continuously rated no lower than AAA or AAAm or no lower than investment grade by at least one nationally recognized rating service and have a weighted average maturity no greater than 90 days. Investments with minimum required ratings do not qualify as authorized investments during the period the investment does not have the minimum rating.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS *(continued)*

Note 2 - Deposits (Cash) and Investments (continued)

Restricted Assets

The Capital Projects Fund and Enterprise Funds have restricted certain cash and investments for customer deposits, reserve and emergency expenditures, capital improvements, cash restricted for others, and revenue bond debt service. Because of certain bond covenants, the Enterprise Fund is required to maintain prescribed amounts of resources that can be used only to service outstanding debt. Some of the proceeds from debt or from funds received from acquisition of Municipal Utility Districts are restricted for use on capital projects.

The amounts of the restricted cash and investments and their respective purpose are as follows:

| Restricted Purpose | Cash | Investments |
|----------------------------------|----------------------|----------------------|
| Restricted for Capital Projects | \$ 17,742,951 | \$ 23,223,631 |
| Restricted for Debt Service | 6,132,130 | 13,736,734 |
| Restricted for Customer Deposits | 469,524 | |
| Total | \$ 24,344,605 | \$ 36,960,365 |

Additionally, the Sugar Land 4B Corporation has restricted certain cash and investments for revenue bond debt service, and because of certain bond covenants, they are required to maintain prescribed amounts of resources that can be used only to service outstanding debt.

Note 3 - Receivables

Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Central Appraisal District ("CAD") of Fort Bend County, Texas, establishes appraised values, and performs billing and collection of the City's tax levies. Taxes are levied by the City Council based on the appraised values and operating needs of the City.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Receivables (continued)

Receivables at September 30, 2014, consist of the following:

Primary Government:

Governmental Funds:

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Non -Major Governmental Funds</u> | <u>Internal Service Funds</u> | <u>Total</u> |
|------------------------------|---------------------|--------------------------|------------------------------|--------------------------------------|-------------------------------|---------------------|
| Property taxes, including | | | | | | |
| penalties and interest | \$ 614,057 | \$ 183,042 | \$ | \$ | \$ | \$ 797,099 |
| Sales and other taxes | 6,902,283 | | | | | 6,902,283 |
| Fines and forfeitures | 1,318,815 | | | 2,892,425 | | 4,211,240 |
| Interest | 30,680 | 3,086 | 15,072 | 23,847 | 2,494 | 75,179 |
| Other | 416,390 | | 99,524 | 1,895,018 | 88,608 | 2,499,540 |
| Allowance for uncollectibles | (1,173,166) | | | (694,182) | | (1,867,348) |
| Total | <u>\$8,109,059</u> | <u>\$ 186,128</u> | <u>\$ 114,596</u> | <u>\$ 4,117,108</u> | <u>\$ 91,102</u> | <u>\$12,617,993</u> |

Proprietary Funds:

| | <u>Utilities Fund</u> | <u>Airport Fund</u> | <u>Surface Water Fund</u> | <u>Solid Waste</u> | <u>Total</u> |
|------------------------------|-----------------------|---------------------|---------------------------|--------------------|---------------------|
| Customer accounts | \$ 3,602,522 | \$ 242,558 | \$ 676,386 | \$ 578,139 | \$ 5,099,605 |
| Interest | 42,604 | 2,177 | 14,689 | | 59,470 |
| Other | | | | 125,355 | 125,355 |
| Allowance for uncollectibles | (247,238) | (6,856) | | (40,104) | (294,198) |
| Total | <u>\$ 3,397,888</u> | <u>\$ 237,879</u> | <u>\$ 691,075</u> | <u>\$ 663,390</u> | <u>\$ 4,990,232</u> |

Component Units:

| | <u>Sugar Land 4B Corporation</u> | <u>Sugar Land TIRZ #1</u> | <u>Total</u> |
|-----------------------|----------------------------------|---------------------------|---------------------|
| Sales and other taxes | \$ 1,060,915 | \$ 6,469 | \$ 1,067,384 |
| Interest | 6,917 | | 6,917 |
| Total | <u>\$ 1,067,832</u> | <u>\$ 6,469</u> | <u>\$ 1,074,301</u> |

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Capital Assets

A summary of changes in the primary government's capital assets for the year ended September 30, 2014, follows:

| Primary Government | Balance September 30, 2013 | Increases | (Decreases) | Balance September 30, 2014 |
|---|---|-----------------------|-------------------------|---|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 83,756,850 | \$ 83,336 | \$ | \$ 83,840,186 |
| Construction in progress | 39,364,314 | 21,706,975 | (39,144,364) | 21,926,925 |
| Intangibles | 762,932 | 692,860 | | 1,455,792 |
| Total capital assets not being depreciated | 123,884,096 | 22,483,171 | (39,144,364) | 107,222,903 |
| Other capital assets: | | | | |
| Infrastructure | 380,188,695 | 36,663,938 | | 416,852,633 |
| Buildings and improvements | 122,951,662 | 4,822,836 | (8,190) | 127,766,308 |
| Equipment and furniture | 34,944,015 | 1,845,755 | (454,350) | 36,335,420 |
| Intangibles | 56,359 | 650,000 | | 706,359 |
| Total other capital assets | 538,140,731 | 43,982,529 | (462,540) | 581,660,720 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (212,592,236) | (8,673,837) | | (221,266,073) |
| Buildings and improvements | (27,748,778) | (4,013,876) | | (31,762,654) |
| Equipment and furniture | (21,171,251) | (3,071,210) | 440,016 | (23,802,445) |
| Intangibles | (6,726) | (45,953) | | (52,679) |
| Total accumulated depreciation | (261,518,991) | (15,804,876) | 440,016 | (276,883,851) |
| Other capital assets, net | 276,621,740 | 28,177,653 | (22,524) | 304,776,869 |
| Totals | \$ 400,505,836 | \$ 50,660,824 | \$ (39,166,888) | \$ 411,999,772 |
| | | | | |
| | Balance September 30, 2013 | Increases | (Decreases) | Balance September 30, 2014 |
| Business-type Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 19,885,932 | \$ 88,119 | \$ | \$ 19,974,051 |
| Construction in progress | 126,641,264 | 11,471,902 | (128,365,933) | 9,747,233 |
| Intangibles | | 289,549 | | 289,549 |
| Total capital assets not being depreciated | 146,527,196 | 11,849,570 | (128,365,933) | 30,010,833 |
| Other capital assets: | | | | |
| Infrastructure | 354,941,879 | 133,229,097 | | 488,170,976 |
| Buildings and improvements | 18,523,770 | 446,001 | | 18,969,771 |
| Equipment and furniture | 8,140,999 | 900,621 | | 9,041,620 |
| Intangibles | 127,704 | | | 127,704 |
| Total other capital assets | 381,734,352 | 134,575,719 | | 516,310,071 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (132,641,776) | (12,615,021) | | (145,256,797) |
| Buildings and improvements | (4,699,112) | (671,351) | | (5,370,463) |
| Equipment and furniture | (3,504,970) | (542,554) | | (4,047,524) |
| Intangibles | (6,385) | (12,771) | | (19,156) |
| Total accumulated depreciation | (140,852,243) | (13,841,697) | | (154,693,940) |
| Other capital assets, net | 240,882,109 | 120,734,022 | | 361,616,131 |
| Totals | \$ 387,409,305 | \$ 132,583,592 | \$ (128,365,933) | \$ 391,626,964 |

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 – Capital Assets (continued)

Depreciation was charged to programs as follows:

Depreciation was charged to programs as follows:

| | | |
|--|-----------|-------------------|
| General government | \$ | 1,979,675 |
| Administrative services | | 1,555,604 |
| Public works | | 8,980,339 |
| Parks and recreation | | 1,130,858 |
| Community development | | 92,457 |
| Public safety-Police | | 328,523 |
| Public safety-Fire | | 690,602 |
| In addition, depreciation on capital assets held by the City's internal service funds is charged to various functions based on their usage of the assets | | 1,046,818 |
| Total Governmental Activities | \$ | 15,804,876 |
| Water and wastewater | \$ | 8,556,263 |
| Airport | | 2,172,528 |
| Surface Water | | 3,112,906 |
| Total Business-Type Activities | \$ | 13,841,697 |

The City has active construction projects as of September 30, 2014. The projects include various improvements to streets, parks and facilities as well as airport and utility improvements. At year-end, the City's contractual commitments on projects were as follows:

| Project Description | Total In Progress | Remaining Commitment |
|-----------------------------------|--------------------------|-----------------------------|
| Governmental Activities: | | |
| Drainage improvement | \$ 1,119,917 | \$ 111,588 |
| Park improvement | 2,386,722 | 390,651 |
| Municipal improvements | 7,826,786 | 3,349,903 |
| Street improvement | 9,148,641 | 2,148,090 |
| Traffic improvement | 1,444,859 | 741,099 |
| Total Governmental | 21,926,925 | 6,741,331 |
| Business-type Activities: | | |
| Water and wastewater improvements | 7,200,482 | 3,229,676 |
| Airport improvement | 934,511 | - |
| Surface Water | 1,612,240 | 941,981 |
| Total Business-type | 9,747,233 | 4,171,657 |
| Totals | \$ 31,674,158 | \$ 10,912,988 |

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt

A. Governmental Activity Debt

The City issues general obligation bonds and certificates of obligation and upon dissolution of Municipal Utility Districts, assumes unlimited tax and revenue obligations. The assumed obligations were used to acquire and construct major capital facilities. General obligation bonds, certificates of obligation, and assumed obligations from dissolved areas are for both governmental and business-type activities. The bonds are reported in the Proprietary Funds only if they are expected to be repaid from proprietary revenues. The general long-term bonds, certificates of obligation and assumed obligations are paid through the Debt Service Fund from tax revenues.

The City issued \$25,170,000 of Combination Tax and Revenue Certificates of Obligation, Series 2013 dated December 1, 2013. Proceeds of \$24,440,000 from the sale of the certificates will be used for street, traffic and related drainage improvement, a new public works service center and improvements to municipal facilities, pedestrian and bicycle improvements to Town Center, drainage improvements, and payment of the costs associated with the issuance of the certificates. The remaining proceeds of \$730,000 will be used for improvements of the City's airport.

The City issued \$7,200,000 of Sales Tax Revenue Bonds, Series 2013 dated October 1, 2013. Proceeds from the sale of the bonds will be used to finance the planning, site preparation, design, engineering and geotechnical investigation associated with the Sugar Land Performing Arts Center and to pay the costs associated with the issuance of the bonds.

Fort Bend County Municipal Utility District No. 21 was dissolved effective March 31, 2014. As a result of this dissolution the City assumed the debt which included \$6,830,000 in Unlimited Tax Refunding Bonds.

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2014. In general, the City uses the General and Debt Service funds to liquidate governmental long-term liabilities. Sales tax revenue bonds are serviced through sales tax revenues reported in the Sugar Land Development Corporation special revenue fund. Compensated absences are typically liquidated by the General Fund.

| | Balance September 30, 2013 | Increases | (Decreases) | Balance September 30, 2014 | Amounts Due Within One Year |
|--|----------------------------------|----------------------|------------------------|----------------------------------|-----------------------------------|
| Bonds payable: | | | | | |
| General obligation bonds | \$ 67,090,000 | \$ | \$ (8,650,000) | \$ 58,440,000 | \$ 7,385,000 |
| Annexed utility district bonds | 5,190,000 | 6,830,000 | (355,000) | 11,665,000 | 930,000 |
| Certificates of obligation | 40,879,596 | 24,440,000 | (2,087,601) | 63,231,995 | 3,412,601 |
| Sales tax revenue bonds | 8,935,000 | 7,200,000 | (790,000) | 15,345,000 | 775,000 |
| Issuance premiums/discounts | 1,847,338 | 270,174 * | (386,186) | 1,731,326 | 313,637 |
| | <u>123,941,934</u> | <u>38,740,174</u> | <u>(12,268,787)</u> | <u>150,413,321</u> | <u>12,816,238</u> |
| Other liabilities: | | | | | |
| Obligations under capital leases | 1,287,784 | | (333,511) | 954,273 | 342,456 |
| Other Post-Employment Benefit Obligation (OPEB) | 995,335 | 255,724 | | 1,251,059 | |
| Obligation to State | 1,226,192 | | (463,701) | 762,491 | 363,925 |
| Compensated absences | 2,293,496 | 2,515,401 | (2,293,496) | 2,515,401 | 75,000 |
| Total Governmental Activities | <u>\$ 129,744,741</u> | <u>\$ 41,511,299</u> | <u>\$ (15,359,495)</u> | <u>\$ 155,896,546</u> | <u>\$ 13,597,619</u> |

* Includes \$68,608 of unamortized premiums from a dissolved municipal utility district

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The full amount estimated to be required for debt service on general obligation debt is provided by (1) the debt service portion of the tax levy; (2) interest earned in the Debt Service Fund; and (3) transfers from the Utility Enterprise Fund. Transfers from the Enterprise Funds are approved at the discretion of City Council and are not intended to service a specific bond series.

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2014, follows:

| Series | Original Issue | Matures | Interest Rate (%) | Debt Outstanding |
|---|-----------------------|----------------|--------------------------|-------------------------|
| General Obligation Bonds | | | | |
| Series 2003-A general obligation refunding | \$ 8,400,000 | 2017 | 2.0-4.0 | \$ 1,470,000 |
| Series 2004 general obligation & refunding | 5,360,000 | 2015 | 3.0-4.0 | 60,000 |
| Series 2005 general obligation & refunding | 8,060,000 | 2025 | 3.0-4.75 | 1,175,000 |
| Series 2006 general obligation & refunding | 34,685,000 | 2026 | 3.75-5.0 | 19,465,000 |
| Series 2008 general obligation bonds | 6,925,000 | 2028 | 4.0-5.0 | 5,525,000 |
| Series 2009 general obligation & refunding | 4,520,000 | 2016 | 3.0-3.25 | 395,000 |
| Series 2010 general obligation & refunding | 22,290,000 | 2026 | 2.0-5.0 | 17,365,000 |
| Series 2010 general obligation bonds | 2,435,000 | 2030 | 3.0-4.125 | 2,135,000 |
| Series 2012 general obligation & refunding | 9,440,000 | 2021 | 2.0-4.0 | 6,695,000 |
| Series 2012A general obligation refunding | 4,295,000 | 2025 | 2.0-4.0 | 4,155,000 |
| Total General Obligation Bonds | | | | \$ 58,440,000 |
| Certificates of Obligation | | | | |
| Series 2006 Tax and revenue certificates of obligation | \$ 990,000 | 2026 | 4.5-5.0 | \$ 700,000 |
| Series 2008 Tax and revenue certificates of obligation | 4,460,000 | 2028 | 3.75-5.0 | 3,560,000 |
| Series 2009 Tax and revenue certificates of obligation | 17,370,000 | 2029 | 2.0-4.5 | 14,011,995 |
| Series 2010 Tax and revenue certificates of obligation | 23,405,000 | 2030 | 2.5-4.0 | 20,520,000 |
| Series 2013 Tax and revenue certificates of obligation | 24,440,000 | 2033 | 2.5-4.0 | 24,440,000 |
| Total Certificates of Obligation | | | | \$ 63,231,995 |
| Sales Tax Revenue Bonds | | | | |
| Series 2005 Sales Tax Revenue Bonds | \$ 12,365,000 | 2025 | 4.0-6.25 | \$ 8,360,000 |
| Series 2013 Sales Tax Revenue Bonds | 7,200,000 | 2038 | 3.0-4.375 | 6,985,000 |
| Total Sales Tax Revenue Bonds | | | | \$ 15,345,000 |
| Annexed Utility District Bonds | | | | |
| First Colony Municipal Utility District No. 1 (FC MUD 1) | | | | |
| Series 2005 Unlimited Tax Refunding | \$ 6,355,000 | 2025 | 3.0-4.50 | \$ 4,835,000 |
| Fort Bend County Municipal Utility District No. 21 | | | | |
| Series 2008 Unlimited Tax Refunding | 4,000,000 | 2024 | 3.5-4.0 | 3,795,000 |
| Series 2012 Unlimited Tax Refunding | 4,045,000 | 2021 | 2.0-3.0 | 3,035,000 |
| Total Annexed Utility District Bonds | | | | \$ 11,665,000 |

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

The annual requirements to amortize governmental activity general obligation bonds, certificates of obligation, and dissolved utility district bonds outstanding at September 30, 2014, are as follows:

| Year Ending Sept. 30 | Governmental Activities | | | | | |
|-------------------------|--------------------------|----------------------|----------------------------|----------------------|--------------------------------|---------------------|
| | General Obligation Bonds | | Certificates of Obligation | | Annexed Utility District Bonds | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | \$ 7,385,000 | \$ 2,299,541 | \$ 3,412,601 | \$ 2,194,858 | \$ 930,000 | \$ 429,170 |
| 2016 | 6,515,000 | 2,039,525 | 3,472,601 | 2,087,002 | 935,000 | 397,120 |
| 2017 | 6,525,000 | 1,777,988 | 3,552,601 | 1,979,526 | 945,000 | 364,820 |
| 2018 | 6,285,000 | 1,517,075 | 3,632,601 | 1,866,545 | 965,000 | 331,565 |
| 2019 | 4,300,000 | 1,304,491 | 3,815,328 | 1,742,647 | 1,120,000 | 294,574 |
| 2020 | 4,450,000 | 1,120,044 | 3,622,525 | 1,621,152 | 1,160,000 | 253,493 |
| 2021 | 4,435,000 | 921,603 | 3,732,525 | 1,501,103 | 1,210,000 | 210,418 |
| 2022 | 4,185,000 | 727,725 | 3,837,525 | 1,372,666 | 1,315,000 | 162,693 |
| 2023 | 3,875,000 | 544,013 | 3,957,525 | 1,236,280 | 1,385,000 | 109,678 |
| 2024 | 3,625,000 | 378,544 | 3,787,525 | 1,097,513 | 1,460,000 | 53,100 |
| 2025 | 3,180,000 | 234,225 | 3,867,652 | 958,064 | 240,000 | 10,800 |
| 2026 | 1,935,000 | 123,363 | 3,962,652 | 812,271 | | |
| 2027 | 670,000 | 64,538 | 3,977,778 | 658,881 | | |
| 2028 | 705,000 | 31,813 | 4,072,778 | 498,169 | | |
| 2029 | 180,000 | 11,438 | 3,812,778 | 339,803 | | |
| 2030 | 190,000 | 3,919 | 3,040,000 | 204,431 | | |
| 2031 | | | 1,225,000 | 121,581 | | |
| 2032 | | | 1,225,000 | 73,500 | | |
| 2033 | | | 1,225,000 | 24,500 | | |
| | <u>\$ 58,440,000</u> | <u>\$ 13,099,845</u> | <u>\$ 63,231,995</u> | <u>\$ 20,390,492</u> | <u>\$ 11,665,000</u> | <u>\$ 2,617,431</u> |

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

Sales Tax Revenue Bonds

The annual requirements to amortize governmental activity sales tax revenue bonds outstanding payable from sales tax receipts collected by the SLDC at September 30, 2014, are as follows:

| Year Ending Sept. 30 | Sugar Land Development Corporation | |
|-------------------------|------------------------------------|---------------------|
| | Blended Component Unit | |
| | Sales Tax Revenue Bonds | |
| | Principal | Interest |
| 2015 | \$ 775,000 | \$ 635,546 |
| 2016 | 815,000 | 604,979 |
| 2017 | 845,000 | 572,423 |
| 2018 | 885,000 | 537,786 |
| 2019 | 920,000 | 501,083 |
| 2020 | 965,000 | 461,103 |
| 2021 | 1,005,000 | 417,865 |
| 2022 | 1,055,000 | 372,434 |
| 2023 | 1,105,000 | 324,586 |
| 2024 | 1,155,000 | 274,278 |
| 2025 | 1,210,000 | 221,144 |
| 2026 | 270,000 | 188,440 |
| 2027 | 280,000 | 177,440 |
| 2028 | 290,000 | 166,040 |
| 2029 | 305,000 | 154,140 |
| 2030 | 315,000 | 141,583 |
| 2031 | 330,000 | 128,319 |
| 2032 | 345,000 | 114,181 |
| 2033 | 365,000 | 99,094 |
| 2034 | 380,000 | 83,263 |
| 2035 | 400,000 | 66,688 |
| 2036 | 420,000 | 49,000 |
| 2037 | 445,000 | 30,078 |
| 2038 | 465,000 | 10,172 |
| | <u>\$ 15,345,000</u> | <u>\$ 6,331,661</u> |

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

Capital Lease Obligations

The City has entered into certain capital lease agreements in order to purchase fire equipment, public safety and management information systems equipment. The capital lease obligations are paid out of the General Fund.

Following is a summary of future lease payments due on this equipment:

| | <u>Fiscal Year</u> | <u>Obligations</u> |
|----------------------------------|--------------------|--------------------------|
| | 2015 | \$ 365,050 |
| | 2016 | 365,050 |
| | 2017 | <u>264,945</u> |
| Total | | 995,045 |
| Less interest portion | | <u>(40,772)</u> |
| Obligations under Capital Leases | | <u><u>\$ 954,273</u></u> |

Capital assets acquired by these leases consist of equipment with a historical value of approximately \$3.1 million and accumulated depreciation of approximately \$1.3 million.

Obligations to State - Refund of Sales Tax

During the 1999 fiscal year, the Texas State Comptroller of Public Accounts notified the City of Sugar Land, the Sugar Land Development Corporation, and the Sugar Land 4B Corporation, that the State had remitted \$591,620 in sales tax receipts to the City which were not collected within the City. The State requested the amount be returned to the State. The City had allocated the sales tax to the Corporations in accordance with the proper sales tax rates. The City settled with the State to repay the State in annual installments of \$19,721 starting October 1, 1999, over a 30-year period without interest.

During the 2011 fiscal year, the State identified approximately \$1.2 million in overpayments from prior years, which the State has allowed to be repaid over a four-year period, which will end June 2015.

During the 2012 fiscal year, the State identified approximately \$797,757 in overpayments from prior years, which the State has allowed to be repaid over a four-year period, which will end June 2016.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

B. Business Activity Debt

The City issued \$15,765,000 of Waterworks and Sewer System Revenue Bonds, Series 2013 dated December 1, 2013. Proceeds from the sale of the bonds will be used for extensions and improvements to the City's waterworks and sanitary sewer system and to pay certain costs incurred in connection with the issuance of the Bonds.

The City issued \$25,170,000 of Combination Tax and Revenue Certificates of Obligation, Series 2013 dated December 1, 2013. Proceeds of \$730,000 from the sale of the certificates will be used for improvements of the City's airport and payment of the costs associated with the issuance of the certificates.

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended September 30, 2014.

| | Balance September 30, 2013 | Increases | (Decreases) | Balance September 30, 2014 | Amounts Due Within One Year |
|---------------------------------------|----------------------------------|----------------------|-----------------------|----------------------------------|-----------------------------------|
| Bonds payable: | | | | | |
| Water and wastewater revenue bonds | \$ 75,670,000 | \$ 15,765,000 | \$ (5,255,000) | \$ 86,180,000 | \$ 5,395,000 |
| General obligation bonds | 5,610,000 | | (100,000) | 5,510,000 | 430,000 |
| Certificates of obligation | 99,645,404 | 730,000 | (2,372,399) | 98,003,005 | 2,152,399 |
| Issuance premiums/discounts | 1,419,321 | 11,699 | (208,253) | 1,222,767 | 198,099 |
| | <u>182,344,725</u> | <u>16,506,699</u> | <u>(7,935,652)</u> | <u>190,915,772</u> | <u>8,175,498</u> |
| Other liabilities: | | | | | |
| Compensated absences | 257,454 | 276,171 | (257,455) | 276,170 | 10,000 |
| Total Business-type Activities | <u>\$ 182,602,179</u> | <u>\$ 16,782,870</u> | <u>\$ (8,193,107)</u> | <u>\$ 191,191,942</u> | <u>\$ 8,185,498</u> |

A summary of the terms of certificates of obligation and revenue bonds recorded in the Enterprise Funds as of September 30, 2014 follows:

| Series | Original Issue | Matures | Interest Rate (%) | Debt Outstanding |
|--|-------------------|---------|----------------------|-----------------------|
| Utility and Surface Water Funds | | | | |
| Series 2006 Waterworks and Sewer System Revenue Bonds | \$ 5,410,000 | 2026 | 4.125-5.50 | \$ 3,800,000 |
| Series 2008 Waterworks and Sewer System Revenue Bonds | 14,780,000 | 2028 | 3.5-5.0 | 11,750,000 |
| Series 2009 Waterworks and Sewer System Revenue Refunding Bonds | 8,565,000 | 2018 | 2.75-3.50 | 3,035,000 |
| Series 2009 Waterworks and Sewer System Revenue Bonds | 29,490,000 | 2029 | 2.0-4.7 | 23,625,000 |
| Series 2011 Combination Tax and Revenue Certificates of Obligation | 98,810,000 | 2041 | 2.0-5.0 | 93,410,000 |
| Series 2012 Waterworks and Sewer System Revenue Bonds | 21,925,000 | 2031 | 1.5-3.25 | 20,380,000 |
| Series 2012A Waterworks and Sewer System Revenue Refunding Bonds | 9,025,000 | 2030 | 2.0-4.0 | 8,400,000 |
| Series 2013 Waterworks and Sewer System Revenue Bonds | 15,765,000 | 2033 | 2.5-4.0 | 15,190,000 |
| Total Utility and Surface Water Funds | | | | <u>179,590,000</u> |
| Airport Fund | | | | |
| Series 2007 Combination Tax and Revenue Certificates of Obligation | 4,400,000 | 2028 | 4.0-4.625 | 3,500,000 |
| Series 2010 Combination Tax and Revenue Certificates of Obligation | 450,000 | 2030 | 2.0-4.5 | 363,005 |
| Series 2012A General Obligation Refunding | 5,610,000 | 2025 | 2.0-4.0 | 5,510,000 |
| Series 2013 Tax and Revenue Certificates of Obligation | 730,000 | 2033 | 2.5-4.0 | 730,000 |
| Total Airport Fund | | | | <u>10,103,005</u> |
| Total Enterprise Long-Term Debt | | | | <u>\$ 189,693,005</u> |

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

B. Business Activity Debt (continued)

The annual requirements to amortize business-type activity revenue bonds, certificates of obligation, and general obligation bonds outstanding at September 30, 2014, are as follows:

| Year Ending Sept. 30 | Business-Type Activities | | | | | |
|-------------------------|--------------------------|----------------------|----------------------------|----------------------|--------------------------|---------------------|
| | Revenue Bonds | | Certificates of Obligation | | General Obligation Bonds | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | \$ 5,395,000 | \$ 3,105,204 | \$ 2,152,399 | \$ 4,274,188 | \$ 430,000 | \$ 184,850 |
| 2016 | 5,160,000 | 2,960,235 | 2,222,399 | 4,215,729 | 440,000 | 176,150 |
| 2017 | 5,275,000 | 2,794,463 | 2,292,399 | 4,145,583 | 450,000 | 165,000 |
| 2018 | 5,410,000 | 2,623,850 | 2,372,399 | 4,073,708 | 460,000 | 151,350 |
| 2019 | 4,920,000 | 2,439,485 | 2,474,672 | 3,998,959 | 475,000 | 137,325 |
| 2020 | 5,080,000 | 2,272,955 | 2,572,475 | 3,921,053 | 490,000 | 120,400 |
| 2021 | 4,955,000 | 2,100,505 | 2,672,475 | 3,837,016 | 515,000 | 100,300 |
| 2022 | 5,145,000 | 1,925,180 | 2,782,475 | 3,737,349 | 535,000 | 79,300 |
| 2023 | 5,010,000 | 1,737,430 | 2,922,475 | 3,623,756 | 550,000 | 57,600 |
| 2024 | 5,205,000 | 1,549,905 | 3,047,475 | 3,504,757 | 570,000 | 35,200 |
| 2025 | 5,430,000 | 1,354,865 | 3,167,348 | 3,380,724 | 595,000 | 11,900 |
| 2026 | 5,650,000 | 1,142,014 | 3,297,348 | 3,251,567 | | |
| 2027 | 5,475,000 | 912,764 | 3,442,222 | 3,101,444 | | |
| 2028 | 5,715,000 | 689,395 | 3,592,222 | 2,941,243 | | |
| 2029 | 4,770,000 | 456,037 | 3,397,222 | 2,791,069 | | |
| 2030 | 2,795,000 | 272,563 | 3,530,000 | 2,628,841 | | |
| 2031 | 2,665,000 | 179,113 | 3,690,000 | 2,457,899 | | |
| 2032 | 1,040,000 | 85,000 | 3,870,000 | 2,288,000 | | |
| 2033 | 1,085,000 | 43,400 | 4,060,000 | 2,099,688 | | |
| 2034 | | | 4,225,000 | 1,892,738 | | |
| 2035 | | | 4,440,000 | 1,676,113 | | |
| 2036 | | | 4,660,000 | 1,454,438 | | |
| 2037 | | | 4,895,000 | 1,227,506 | | |
| 2038 | | | 5,145,000 | 982,625 | | |
| 2039 | | | 5,410,000 | 718,750 | | |
| 2040 | | | 5,690,000 | 441,250 | | |
| 2041 | | | 5,980,000 | 149,500 | | |
| | <u>\$ 86,180,000</u> | <u>\$ 28,644,363</u> | <u>\$ 98,003,005</u> | <u>\$ 72,815,490</u> | <u>\$ 5,510,000</u> | <u>\$ 1,219,375</u> |

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

C. Component Unit Long-Term Debt

The following is a summary of the long-term debt transactions of the Sugar Land 4B Corporation for the year ended September 30, 2014:

| | Balance September 30, 2013 | Increases | (Decreases) | Balance September 30, 2014 | Amounts Due Within One Year |
|-----------------------------|----------------------------------|-----------|-----------------------|----------------------------------|-----------------------------------|
| Bonds payable: | | | | | |
| Sales tax revenue bonds | \$ 39,310,000 | \$ | \$ (1,705,000) | \$ 37,605,000 | \$ 1,780,000 |
| Issuance premiums/discounts | (27,813) | | 5,458 | (22,355) | 5,019 |
| Other liabilities: | | | | | |
| Note Payable | 980,100 | | (980,100) | | |
| Obligation to State | 160,068 | | (65,299) | 94,769 | 51,045 |
| | <u>\$ 40,422,355</u> | <u>\$</u> | <u>\$ (2,744,941)</u> | <u>\$ 37,677,414</u> | <u>\$ 1,836,064</u> |

A summary of the terms of the revenue bonds recorded as long-term liabilities in the Sugar Land 4B Corporation as of September 30, 2014, follows:

| Series | Original Issue | Matures | Interest Rate (%) | Debt Outstanding |
|---|-------------------|---------|----------------------|----------------------|
| Series 2005 Sales Tax Revenue Bonds | \$ 5,530,000 | 2025 | 4.0-6.0 | \$ 2,540,000 |
| Series 2010 Sales Tax Revenue Refunding Bonds | 9,195,000 | 2022 | 2.0-3.7 | 6,800,000 |
| Series 2011 Sales Tax Revenue Bonds | 30,145,000 | 2036 | 4.0-5.0 | 28,265,000 |
| Total Component Unit Long-Term Debt | | | | <u>\$ 37,605,000</u> |

Note Payable

Sugar Land 4B Corporation purchased 5 acres of land for baseball stadium parking and related improvements. Two notes for \$490,000 each were payable to the State of Texas and Amegy Bank National Association with an interest rate of 6% per annum. All outstanding principal and interest was paid in full as of September 30, 2014.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

C. Component Unit Long-Term Debt (continued)

The annual requirements to amortize component unit revenue bonds outstanding at September 30, 2014, are as follows:

| Year Ending Sept. 30 | Sugar Land 4B Corporation Revenue Bonds | |
|-------------------------|--|----------------------|
| | Principal | Interest |
| 2015 | \$ 1,780,000 | \$ 1,583,844 |
| 2016 | 1,840,000 | 1,522,638 |
| 2017 | 1,885,000 | 1,457,419 |
| 2018 | 1,960,000 | 1,388,781 |
| 2019 | 2,025,000 | 1,316,344 |
| 2020 | 2,115,000 | 1,239,175 |
| 2021 | 2,195,000 | 1,156,850 |
| 2022 | 1,900,000 | 1,076,631 |
| 2023 | 1,330,000 | 1,011,694 |
| 2024 | 1,390,000 | 953,169 |
| 2025 | 1,460,000 | 888,863 |
| 2026 | 1,225,000 | 828,269 |
| 2027 | 1,290,000 | 771,681 |
| 2028 | 1,355,000 | 712,169 |
| 2029 | 1,425,000 | 648,728 |
| 2030 | 1,500,000 | 580,150 |
| 2031 | 1,580,000 | 506,013 |
| 2032 | 1,670,000 | 425,750 |
| 2033 | 1,765,000 | 339,875 |
| 2034 | 1,865,000 | 249,125 |
| 2035 | 1,970,000 | 153,250 |
| 2036 | 2,080,000 | 52,000 |
| | <u>\$ 37,605,000</u> | <u>\$ 18,862,418</u> |

D. Legal Compliance

Long-term debt assumed by the City upon dissolution of municipal utility districts in the current and previous years has been recorded as part of the City's long-term debt. A portion of the assumed debt is related to assets recorded in the Utility Fund. Even though the debt is related to assets recorded in the Utility Fund, the debt is considered general obligation debt based on Texas law. The dissolved area debt will be retired with tax revenue and operating transfers from the Utility Fund. The transfers from the Utility Fund to the Debt Service Fund are not intended to service specific general obligation debt. During the year, at the discretion of City Council, the Utility Fund made a transfer to the Debt Service Fund as indicated on the transfer schedule of \$3.4 million.

Note 6 - Fund Equity/Net Position

The City records fund balance reserves on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The Sugar Land 4B Corporation, a discretely presented component unit of the City, had a negative unrestricted net position balance at year-end of approximately \$29.1 million. This deficit balance is caused by the Corporation issuing bonds for economic development related construction projects and, in accordance with state law, transferring the capital assets to the primary government while retaining the related debt. As noted in Note 5, the debt is expected to be retired with future dedicated sales tax revenues.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Interfund Transactions

A summary of interfund transfers, the purpose of which is to cover operational expenses/expenditures, for the year ended September 30, 2014 is as follows:

| Transfers In | Transfers Out | Amounts | Purpose |
|------------------------|---------------------------------------|----------------------|--|
| General Fund | SLDC Fund | \$ 256,518 | Administrative Services & CIP Management fees |
| General Fund | Utility Fund | 2,712,220 | Overhead from cost allocation plan |
| General Fund | Airport Fund | 591,556 | Overhead from cost allocation plan |
| General Fund | Surface Water Fund | 458,104 | Overhead from cost allocation plan |
| General Fund | Solid Waste Fund | 263,796 | Overhead from cost allocation plan |
| General Fund | CIP (Non-Bonds) | 202,000 | Overhead from cost allocation plan |
| | | <u>4,484,194</u> | |
| Debt Service Fund | Tourism Fund | 664,214 | Payment on Conference center Debt |
| Debt Service Fund | Utility Fund | 3,376,368 | 100% of water/ww - MUD debt svc |
| Debt Service Fund | CIP (Non-Bonds) | 472,500 | Developer fees to cover debt payment for University Blvd. |
| | | <u>4,513,082</u> | |
| Capital Project Fund | Photographic Traffic Enforcement Fund | 671,172 | 50% of net revenues - Photographic Traffic Enforcement fund |
| Capital Project Fund | General Fund | 3,446,990 | Pay-as-you go CIP |
| Capital Project Fund | SLDC Fund | 224,365 | Capital Projects Reimbursement |
| | | <u>4,342,527</u> | |
| Debt Reduction Fund | General Fund | 304,550 | River Park Sales Tax per SPA & GW limited purpose annexation |
| Debt Reduction Fund | General Fund | 150,000 | Sales Tax from River Park per SPA |
| | | <u>454,550</u> | |
| Airport Fund | General Fund | 464,120 | Based on property tax collected |
| Airport Fund | SLDC Fund | 50,000 | International Marketing |
| Airport Fund | Debt Service Fund | 86,783 | Based on property tax collected |
| | | <u>600,903</u> | |
| Surface Water Fund | Utility Fund | 543,697 | Surface Water fees for City Customers |
| | | <u>543,697</u> | |
| Employee Benefit Fund | Airport Fund | 31,320 | Administrative fees & H.S.A. Contribution |
| Employee Benefit Fund | General Fund | 572,204 | Administrative fees & H.S.A. Contribution |
| Employee Benefit Fund | Tourism | 610 | Administrative fees & H.S.A. Contribution |
| Employee Benefit Fund | Utility Fund | 32,595 | Administrative fees & H.S.A. Contribution |
| Employee Benefit Fund | Surface Water Fund | 11,917 | Administrative fees & H.S.A. Contribution |
| Employee Benefit Fund | Solid Waste Fund | 1,080 | Administrative fees & H.S.A. Contribution |
| | | <u>649,726</u> | |
| Fleet Replacement Fund | Airport Fund | 42,604 | Planned replacement of fleet |
| Fleet Replacement Fund | General Fund | 697,412 | Planned replacement of fleet |
| Fleet Replacement Fund | Surface Water Fund | 8,448 | Planned replacement of fleet |
| Fleet Replacement Fund | Utility Fund | 180,824 | Planned replacement of fleet |
| Fleet Replacement Fund | Solid Waste Fund | 2,376 | Planned replacement of fleet |
| | | <u>931,664</u> | |
| HI-Tech Fund | Airport Fund | 8,720 | Planned replacement of equipment |
| HI-Tech Fund | General Fund | 1,421,224 | Planned replacement of equipment |
| HI-Tech Fund | Utility Fund | 40,756 | Planned replacement of equipment |
| | | <u>1,470,700</u> | |
| | | <u>\$ 17,991,043</u> | |

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS *(continued)*

Note 8 - Deferred Compensation Plan

The City maintains for its employees a tax-deferred compensation plan meeting the requirements of Internal Revenue Code Section 457. The plan was established in the 1995 fiscal year by City Ordinance and Nationwide Retirement Solutions, SBC Retirement Corporation and ICMA were appointed as plan administrators. The deferred compensation is not available to employees until termination, retirement, or death. However, while employed, deferred compensation may be available to employees in an unforeseen emergency or under certain loan provisions. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any other use other than intended under the plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under plan provisions are disbursed bi-weekly by the City to selected third-party administrators. The third-party administrators handle all funds in the plan and makes investment decisions and disburse funds to employees in accordance with plan provisions.

Note 9 - Employee Retirement System

Texas Municipal Retirement System

Plan Description and Provisions

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), an agent multiple-employer public employee retirement system. The plan provisions adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions.

In addition, the City has adopted another type of monetary credit referred to as an updated service credit (USC). This provision may increase the value of employee retirement benefits by accounting for increases in salary later in the employee's career and factoring in City plan improvements. The City chose the percentage of USC it will provide of 100%. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Employee Retirement System (continued)

Plan Description and Provisions (continued)

The plan provisions are adopted by the City Council of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

| | <u>Plan Year 2012</u> | <u>Plan Year 2013</u> |
|--|-----------------------|-----------------------|
| Employee Deposit Rate: | 7% | 7% |
| Matching Ratio (City to Employee): | 2 to 1 | 2 to 1 |
| Years Required for Vesting | 5 | 5 |
| Updated Service Credit | 100% | 100% |
| Annuity Increase (to retirees) | 70% | 70% |
| Restricted Prior Service Credit | Yes | Yes |
| Supplemental Death Benefits – Employees and Retirees | Yes | Yes |

Members can retire at age 60 and above with five or more years of service or with 20 years of service regardless of age.

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Three-year trend information for the annual pension cost and net pension obligation are as follows:

| <u>Fiscal Year Ending</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|-------------------------------|--------------|--------------|--------------|
| Annual Pension Cost (APC) | \$ 5,996,652 | \$ 5,646,329 | \$ 5,577,309 |
| Percentage of APC Contributed | 100% | 100% | 100% |
| NPO at the End of Period | \$ - | \$ - | \$ - |

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Employee Retirement System (continued)

Contributions (continued)

The City's total payroll in fiscal year 2014 was \$39.7 million and the City's contributions were based on a payroll of \$39.1 million. Contributions made by employees totaled \$2.7 million, and the City made contributions of \$6.0 million during the fiscal year ended September 30, 2014.

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

| | <u>Plan Year 2012</u> | <u>Plan Year 2013</u> |
|--|-----------------------|-----------------------|
| The City offers supplemental death to: | | |
| Active employees | Yes | Yes |
| Retirees | Yes | Yes |

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The city's contributions to the TMRS SDBF for the fiscal years ended 2014, 2013, and 2012 were \$54,444, \$51,264 and \$48,112, respectively, which equaled the required contributions each year.

| <u>Fiscal Year</u> | <u>Annual Required Contribution (Rate)</u> | <u>Actual Contribution Made (Rate)</u> | <u>Percentage of ARC Contributed</u> |
|--------------------|--|--|--------------------------------------|
| 2012 | 0.01% | 0.01% | 100% |
| 2013 | 0.01% | 0.01% | 100% |
| 2014 | 0.01% | 0.01% | 100% |

Funding Policy

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. TMRS changed to the Projected Unit Credit actuarial cost method with actuarial valuations beginning on December 31, 2007.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Employee Retirement System (continued)

Funding Policy (continued)

The change to Projected Unit Credit caused significant contribution increases (beginning with the January 2009 contribution rate) for many cities that had adopted annually repeating benefits. Cities that experienced a rate increase of 0.50% or more were given the opportunity to phase-in the increase over an eight-year period. The City of Sugar Land chose to fully fund the new rate in 2009 and not use the phase-in program.

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

Funded Status and Funding Progress

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

| | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|------------|-------------------------------------|--|-----------------------------------|-------------------------|---------------------------|--|
| 12/31/2013 | \$ 138,156,062 | \$ 164,872,297 | \$ 26,716,235 | 83.8% | \$ 37,903,124 | 70.5% |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Employee Retirement System (continued)

Funded Status and Funding Progress (continued)

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012, actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

| | 12/31/2011 | 12/31/2012 | 12/31/2013 |
|-----------------------------|---------------------------|---------------------------|---------------------------|
| Actuarial Cost Method | Projected Unit Credit | Projected Unit Credit | Entry Age Normal |
| Amortization Method | Level Percent of Payroll | Level Percent of Payroll | Level Percent of Payroll |
| GASB 25 Equivalent Single | | | |
| Amortization Period | 26.2 Years; Closed Period | 25.1 Years; Closed Period | 26.0 Years; Closed Period |
| Amortization Period for new | | | |
| Gains/Losses | 30 Years | 30 Years | 30 Years |
| Asset Valuation Method | 10-year Smoothed Market | 10-year Smoothed Market | 10-year Smoothed Market |
| Actuarial Assumptions: | | | |
| Investment Rate of Return | 7.0% | 7.0% | 7.0% |
| Projected Salary Increases | Varies by age and service | Varies by age and service | Varies by age and service |
| Includes Inflation At | 3.0% | 3.0% | 3.0% |
| Cost-of-Living Adjustments | 2.1% | 2.1% | 2.1% |

City of Sugar Land Retiree Health Care Plan

GASB Statement 45 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), established new accounting standards for postretirement benefits. The new standard does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be recorded in the employer's financial statement as an increase (or decrease) in the net OPEB obligation. The effective date for implementation of GASB 45 by the City of Sugar Land was October 1, 2009. Accordingly, the City did obtain an actuarial valuation in accordance with GASB 45 as of December 31, 2012, and discloses the following:

Plan Description and Funding Policy

The City of Sugar Land Retiree Health Care Plan is a single-employer defined benefit plan. Employees who retire from the City of Sugar Land and receive an annuity from TMRS upon leaving the City's employment, and eligible dependents and survivors, are eligible to continue to participate in the City's health insurance programs at the "blended" employee group rate which is determined annually by the City of Sugar Land and approved by the City Council. Prior to retiring employees may elect to continue to participate in the City's medical and dental benefits. To maintain coverage they must continuously pay the monthly premium of the plan and level selected. As of December 31, 2013, a total of ten (10) retirees had elected to receive retiree health care coverage through the City of Sugarland Retiree Health Care Plan.

Retirees pay 100% of the premium for self, spouse, and dependents. However, the City recognizes that there is an "implicit subsidy" arising as a result of the blended rate premium since retiree health care costs, on average, is higher than active employee healthcare costs. The plan is not accounted for as a trust fund as an irrevocable trust has not been established to fund the plan. The plan does not issue a separate financial report.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Employee Retirement System (continued)

Plan Description and Funding Policy (continued)

The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is .8% percent of annual covered payroll.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008, as required by GASB.

The City's annual OPEB cost for the year ending September 30, 2014, is as follows:

| Determination of Net OPEB Obligation (NOO) | |
|---|----------------------------|
| Annual required contribution | \$ 248,276 |
| Interest on net OPEB obligation | 7,448 |
| Adjustment to ARC | - |
| Annual OPEB cost | <u>255,724</u> |
| Less contributions made | - |
| Increase in net OPEB obligation | <u>255,724</u> |
| Net OPEB obligation – beginning of year | 995,335 |
| Net OPEB obligation – end of year | <u><u>\$ 1,251,059</u></u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed* | Net OPEB Obligation |
|--------------------------|-------------------------|--|--------------------------------|
| 2013 | \$ 255,724 | 0.0% | \$ 1,251,059 |
| 2012 | 248,276 | 0.0% | 995,335 |
| 2011 | 233,417 | 0.0% | 751,142 |

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Employee Retirement System (continued)

Funded Status and Funding Progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of the most recent actuarial valuation, is as follows:

| Actuarial Valuation Date as of December 31, | 2013 |
|---|--------------|
| Actuarial accrued liability (AAL) | \$2,069,749 |
| Actuarial value of plan assets | \$0 |
| Unfunded actuarial accrued liability (UAAL) | \$2,069,749 |
| Funded ratio (actuarial value of plan assets/AAL) | 0% |
| Covered payroll (active plan members) | \$37,903,124 |
| UAAL as a percentage of covered payroll | 5.46% |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce the short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions used for this valuation are as follows:

| | |
|----------------------------|---|
| Measurement Date | 12/31/2012 |
| Actuarial Cost Method | Projected Unit Credit (PUC) |
| Amortization Period | Open 30-year |
| Amortization Method | Level Percent of Payroll |
| Discount Rate | 4.50% |
| CPI | 3.00% |
| Healthcare Cost Trend Rate | 10% initial rate, 4.5% ultimate rate, 11 yr grade in period |
| Payroll Growth Rate | 3.00% |

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 10 - Contracts with Special Districts

Agreements with Utility Districts

The City has entered into utility agreements with six Municipal Utility Districts (Fort Bend MUDs No. 10, 136, 137, 138, 139 and Burney Road MUD) (the "Districts"), which are within the City's boundaries. The Districts are to acquire and construct water, wastewater, and drainage facilities to serve the area within the Districts and may issue bonds to finance such facilities. These utility agreements provide the following:

As water, wastewater and drainage facilities are acquired and constructed the Districts will transfer the facilities to the City, reserving a security interest therein for the purpose of securing performance of the City under the agreements. At such time as the bonds of the Districts are discharged, the Districts will release the security interest, and the City will own the improvements.

The water and wastewater rates charged by the City will be equal and uniform to those charged other similar users within the City, with all revenues belonging exclusively to the City.

The City has agreed to pay the Districts a tax rebate of the ad valorem taxes collected on land and improvements within the Districts. The rebates for the year ended September 30, 2014, were \$2.0 million.

The City has entered into an agreement with various Fort Bend County Municipal Utility Districts (MUDs) in the Greatwood and Tara subdivisions within the City's extraterritorial jurisdiction (ETJ), for funding the operating expenses relating to a fire station located within the Greatwood subdivision. The City received \$700,963 from the participating MUDs for the year ending September 30, 2014, in connection with this agreement.

The City has entered into fire protection agreements with various Fort Bend County Municipal Utility Districts (MUDs) within the City's extraterritorial Jurisdiction (ETJ), to support operating expenses related to provision of fire services to these areas. The MUDs are located in the New Territory, Greatwood, Tara, and Riverstone subdivisions. The City received \$2,146,135 from these participating MUDs for the year ending September 30, 2014 in connection with these agreements.

Note 11 - Lease Agreements

Sugar Land Hotel Associates, L.P.

In 2002, the Sugar Land Town Square Development Authority (the "Authority") entered into a ninety-nine year lease agreement with Sugar Land Hotel Associates, L.P. (the "Tenant") for the rental of the Sugar Land Conference Center and Parking Garage (the "Property"), owned by the Authority. The Tenant has the right to use the Property and has agreed to operate the Property in a "first class manner," as defined in the lease agreement, paying the Authority a base rent of \$1 per lease year, plus an incentive rent, as determined by the lease agreement, within 15 days after the Authority's receipt of an annual statement that presents the net cash flow and any net sale proceeds for the preceding lease year.

Sugar Land Baseball, LLC

In 2010, the City of Sugar Land entered into a twenty-five year lease agreement with Sugar Land Baseball, LLC. for the rental of the Constellation Field (baseball stadium). Sugar Land Baseball, LLC owns "Skeeters" a minor league baseball team. The base annual rent of \$80,000 is due to the City January 1st each lease year. In addition to the base rent, the City will receive participation rent equal to 40% of all gross revenues in excess of \$2.6 million. In 2014 the City received \$216,280 in addition to the base rent.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 12 - Commitments and Contingencies

Litigation and Other Contingencies

The City was involved in various lawsuits and arbitration proceedings at September 30, 2014. The City and its legal counsel believe that any amounts which the City might ultimately be required to pay will not exceed underlying insurance coverage.

Federally Assisted Programs - Compliance Audits

The City receives various grants, which are subject to audit by the respective agencies. Subsequent audits may disallow expenditures financed by government grants. It is the opinion of management that any disallowed expenditures, based on prior audit experience, will not be material in relation to the City's financial statements as of September 30, 2014.

Arbitrage Rebate

In accordance with the provisions of the Internal Revenue Code, sections 103, 103A, and 148, as amended, a governmental debt issuance must qualify and maintain tax-exempt status by satisfying certain arbitrage requirements contained in these provisions. As part of the requirements, certain amounts earned on the non-purpose investment of debt issuance proceeds, in excess of the yield on an issue, earned as arbitrage, will be required to be paid to the U.S. Treasury. As part of this process, the City annually determines potential arbitrage liabilities on its debt issues, on component unit debt issues and on debt issues assumed by the City from various Municipal Utility Districts.

Economic Development Grant Commitments

The Sugar Land Development Corporation has committed economic development grants or incentives to various companies in targeted industries to be paid in the future on the condition that certain agreed upon criteria are met. The amounts currently committed are as follows:

| Fiscal Year | Grant Commitments |
|------------------------|------------------------------|
| 2015 | \$ 2,135,000 |
| 2016 | 1,365,000 |
| 2017 | 885,000 |
| 2018 | 860,000 |
| 2019 | 1,145,000 |
| 2020 | 610,000 |
| 2021 | 625,000 |
| 2022 | 620,000 |
| 2023 | 620,000 |
| 2024 | 260,000 |
| 2025 | 265,000 |
| 2026 | 50,000 |
| Totals | \$ 9,440,000 |

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 13 - Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League's Intergovernmental Risk-Pool (TML-IRP), and through commercial insurance carriers. The participation of the City in TML-IRP is limited to payment of premiums. The City has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

The City also provides Workers' Compensation insurance on its employees through TML-Workers' Compensation Fund. Workers' Compensation premiums are subject to change when audited by TML-Workers' Compensation Fund. At September 30, 2014, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

Employee Benefits Fund

Beginning January 1, 2012, the City started providing health benefits to its employees and dependents through a self-funded employee health benefit plan which is accounted for in the Employee Benefits Fund - Internal Service Fund. This fund is principally supported by contributions from the City and the employees. The City makes contributions to cover the majority of the premiums for employees, and the employees are required to make contributions to cover the remaining employee and dependent costs. The Internal Service Fund charges the City's General Fund and enterprise funds for the City's contributions. Payments of premiums and administrative fees are paid out of this fund. A third party administrator acting on behalf of the City processes health claim payments. The City has obtained excess loss insurance which limits the City's claims paid to \$125,000 annually for any individual occurrence.

Settled claims did not exceed insurance coverages in fiscal year 2014. Estimates of claims payable and of claims incurred, but not reported at September 30, 2014, are reflected as accrued expenses and claims payable of the Employee Benefits Fund - Internal Service Fund. The liabilities include an amount for claims that have been incurred but were not reported until after September 30, 2014. The liability reported in the fund is one of the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements, and damage awards, the process used in computing claims liability is an estimate based on historical claims.

Note 14 - Subsequent Events

Issuance of Long-Term Debt

The Sugar Land Development Corporation issued \$7,375,000 of Sales Tax Revenue Refunding Bonds, Series 2014 in October 2014. Proceeds from the sale of the Bonds will be used to refund a portion of the Corporation's outstanding debt in order to lower the overall debt service requirements of the Corporation and to pay the costs of issuance of the bonds.

The City issued \$21,565,000 of General Obligation Refunding Bonds, Series 2014 in November 2014. Proceeds from the sale of the bonds will be used to refund a portion of the outstanding ad valorem tax-supported obligations of the City and to pay the costs associated with the issuance of the bonds.

CITY OF SUGAR LAND, TEXAS
NOTES TO FINANCIAL STATEMENTS *(continued)*

Note 14 - Subsequent Events (continued)

Issuance of Long-Term Debt (continued)

The City issued \$9,980,000 of Combination Tax and Revenue Certificates of Obligation, Series 2014 in December 2014. Proceeds from the sale of the certificates will be used for the construction of and equipment of a performing arts center, plaza and parking facilities and to pay the costs associated with the issuance of the certificates.

The City issued \$27,130,000 of Combination Tax and Revenue Certificates of Obligation, Series 2014A (Taxable) in December 2014. Proceeds from the sale of the certificates will be used for the construction of and equipment of a performing arts center and parking facilities and to pay the costs associated with the issuance of the certificates.

The Sugar Land Development Corporation issued \$38,265,000 of Sales Tax Revenue Bonds, Series 2014 in December 2014. Proceeds from the sale of the bonds will be used for the construction of and equipment of a performing arts center and parking facilities, funding the debt service reserve fund and to pay the costs of issuance of the bonds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SUGAR LAND, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

| | <i>General Fund</i> | | | |
|---|-------------------------|----------------------|----------------------|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive / (Negative) |
| | Original | Final | Actual | |
| Revenues | | | | |
| Property taxes | \$ 17,650,900 | \$ 17,777,900 | \$ 17,616,800 | \$ (161,100) |
| Sales tax | 33,515,500 | 35,770,455 | 36,864,046 | 1,093,591 |
| Franchise and other taxes | 5,695,654 | 6,056,600 | 5,867,489 | (189,111) |
| Licenses and permits | 2,775,910 | 2,917,900 | 3,033,205 | 115,305 |
| Fines and forfeitures | 2,158,782 | 1,916,000 | 1,891,729 | (24,271) |
| Charges for services | 3,084,121 | 3,109,050 | 3,222,666 | 113,616 |
| Investment earnings | 102,500 | 68,000 | 184,450 | 116,450 |
| Intergovernmental | 709,178 | 715,964 | 819,737 | 103,773 |
| Other | 326,130 | 404,200 | 409,621 | 5,421 |
| Total Revenues | 66,018,675 | 68,736,069 | 69,909,743 | 1,173,674 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 11,310,274 | 12,071,594 | 11,193,575 | 878,019 |
| Administrative services | 5,413,748 | 6,814,669 | 6,032,405 | 782,264 |
| Public Safety - Police | 18,231,564 | 17,758,273 | 17,408,143 | 350,130 |
| Public Safety - Fire | 12,976,923 | 13,295,247 | 10,882,105 | 2,413,142 |
| Public Works | 9,735,767 | 9,624,966 | 9,444,192 | 180,774 |
| Parks and recreation | 5,754,160 | 5,652,487 | 5,548,147 | 104,340 |
| Community development | 5,126,033 | 5,143,330 | 4,917,761 | 225,569 |
| Debt Service | 508,218 | 365,050 | 365,050 | |
| Total Expenditures | 69,056,687 | 70,725,616 | 65,791,378 | 4,934,238 |
| Excess (deficiency) of revenues over expenditures | (3,038,012) | (1,989,547) | 4,118,365 | 6,107,912 |
| Other Financing Sources (Uses) | | | | |
| Proceeds from capital leases | 1,656,000 | 2,554,825 | | (2,554,825) |
| Transfers in | 4,553,056 | 4,502,597 | 4,484,194 | (18,403) |
| Transfers (out) | (5,795,237) | (7,031,734) | (7,056,500) | (24,766) |
| Sale of capital assets | 85,000 | 53,700 | 54,949 | 1,249 |
| Total Other Financing Sources (Uses) | 498,819 | 79,388 | (2,517,357) | (2,596,745) |
| Net change in fund balances | (2,539,193) | (1,910,159) | 1,601,008 | 3,511,167 |
| Fund balances - beginning | 26,663,504 | 26,663,504 | 26,663,504 | |
| Fund balances - ending | \$ 24,124,311 | \$ 24,753,345 | \$ 28,264,512 | \$ 3,511,167 |

CITY OF SUGAR LAND, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION
For the Year ended September 30, 2012

Budgetary Compliance

The City of Sugar Land has complied with all material budget requirements for the year ended September 30, 2014.

Annual appropriated budgets are adopted for the General Fund, Special Revenue Funds and Debt Service Funds, using the same basis of accounting as for financial reporting. All annual appropriations lapse at fiscal year end. Project length budgets are adopted for the Capital Project Funds. The City, for management control, approves a financial plan for the Enterprise and Internal Service Funds. City Council approves the annual budget for the component units included in the City's financial reporting entity.

Expenditures may not legally exceed budgeted appropriations at the functional level (i.e. general government, administrative services, etc.). Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Management has the authority to transfer available funds allocated by the budget from one function/department or activity to another function or activity within the same department. In cooperation with the directors and department heads of the City and the Budget Officer, the City Manager prepares an annual budget for the General Fund, Special Revenue Funds, and Debt Service Fund for the ensuing fiscal year, in a form and style as deemed desirable by the City Manager. The City Manager shall submit to the Council, for its review, consideration, and revision, both a letter describing the proposed new budget, as well as a balanced budget for the forthcoming fiscal year, not later than sixty (60) days prior to the end of the current fiscal year. The budget, as adopted, must set forth the appropriations for services, functions, and activities of the various City departments, and shall meet all fund requirements provided by law and required by bond covenants. Capital projects are budgeted on a project-length basis.

Amounts reported in the accompanying financial statements represent the original budgeted amount plus all supplemental appropriations.

CITY OF SUGAR LAND, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2014

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)

Schedule of Funding Progress

| Actuarial Valuation Date December 31, | Actuarial Value of Assets | Actuarial Accrued Liabilities | Percentage Funded | Unfunded Actuarial Accrued Liability (UAAL) | Annual Covered Payroll | (UAAL) as a Percentage of Covered Payroll |
|--|--|--|------------------------------|--|---------------------------------------|--|
| 2013 | \$ 138,156,062 | \$ 164,872,297 | 83.8% | \$ 26,716,235 | \$ 37,903,124 | 70.5% |
| 2012 | 124,226,362 | 145,572,151 | 85.3% | 21,345,789 | 36,193,853 | 59.0% |
| 2011 | 110,320,360 | 132,876,429 | 83.0% | 22,556,069 | 35,535,263 | 63.5% |

CITY OF SUGAR LAND, TEXAS**REQUIRED OTHER POST EMPLOYMENT BENEFIT (OPEB) SUPPLEMENTARY INFORMATION***For the Year Ended September 30, 2014***CITY OF SUGAR LAND RETIREE HEALTH CARE PLAN (UNAUDITED)****Schedule of Funding Progress**

| Actuarial Valuation Date December 31, | Actuarial Value of Assets | Actuarial Accrued Liabilities | Percentage Funded | Unfunded Actuarial Accrued Liability (UAAL) | Annual Covered Payroll | (UAAL) as a Percentage of Covered Payroll |
|--|--|--|------------------------------|--|---------------------------------------|--|
| 2013 | \$ - | \$ 2,069,749 | 0% | \$ 2,069,749 | \$ 37,903,124 | 5.46% |
| 2012 | - | 2,069,749 | 0% | 2,069,749 | 36,193,853 | 5.72% |
| 2011 | - | 2,056,551 | 0% | 2,056,551 | 35,535,263 | 5.79% |

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OTHER SUPPLEMENTARY INFORMATION

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CITY OF SUGAR LAND, TEXAS

SPECIAL REVENUE FUNDS

To account for the proceeds of specific revenue sources that, are legally restricted to expenditures for specific purposes.

Tourism Fund – This special revenue fund is used to account for revenues received from a room occupancy tax and expenditures for the promotion of tourism and the convention and hotel industry

Court Security Fund – This special revenue fund is used to account for the revenues and expenditures related to the fees from court fines used for Court Security as set up by State Statute.

Community Development Block Grant Fund – This special revenue fund is used to account for the block grant that the City can use to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low and moderate income persons.

Court Technology Fund – This fund is used to account for revenues and expenditures related to fees from court fines used for Court Technology improvements as set up by State Statute.

Law Enforcement Grant Fund – This fund is used to account for grants and asset forfeitures. The proceeds are restricted for use by the Police Department.

Photographic Traffic Enforcement Fund – This fund is used to account for revenues and expenditures relating to implementation of the photographic traffic enforcement system.

Debt Reduction Fund – This fund is used to account for activities as a result of agreements with the City's ETJ's whereby the resources are to be accumulated in order to assist with debt retirements upon dissolution of such entities.

The Sugar Land Development Corporation Fund – This fund is used to account for the promoting of economic and development activities on behalf of the City. The Sugar Land Development Corporation is a blended component unit for financial reporting purposes.

CITY OF SUGAR LAND, TEXAS
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2014

Page 1 of 3

| | Tourism Fund | Court Security Fund | Community Development Block Grant Fund |
|--|----------------------------|------------------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 1,345,075 | \$ 31,796 | \$ |
| Investments | 3,493,920 | | |
| Receivables (net of allowance for uncollectibles) | 612,323 | 15,000 | |
| Interest receivable | 4,289 | | |
| Due from other governments | | | 61,533 |
| Prepaid items | | | |
| Total Assets | <u><u>\$ 5,455,607</u></u> | <u><u>\$ 46,796</u></u> | <u><u>\$ 61,533</u></u> |
| Liabilities | | | |
| Accounts payable | \$ 91,013 | \$ 15,000 | \$ 61,533 |
| Accrued expenditures | 4,797 | 3,012 | |
| Total Liabilities | <u><u>95,810</u></u> | <u><u>18,012</u></u> | <u><u>61,533</u></u> |
| Deferred Inflows of Resources | | | |
| Unavailable revenue | | | |
| Total Deferred Inflows of Resources | | | |
| Fund Balances | | | |
| Nonspendable: | | | |
| Prepaid expenses | | | |
| Restricted: | | | |
| Debt service | | | |
| Capital projects | | | |
| Development activities | 5,359,797 | | |
| Public safety | | 28,784 | |
| Total Fund Balances | <u><u>5,359,797</u></u> | <u><u>28,784</u></u> | |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u><u>\$ 5,455,607</u></u> | <u><u>\$ 46,796</u></u> | <u><u>\$ 61,533</u></u> |

CITY OF SUGAR LAND, TEXAS
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2014

Page 2 of 3

| | Court Technology Fund | Law Enforcement Grant Fund | Photographic Traffic Enforcement Fund |
|--|--------------------------------------|---|--|
| Assets | | | |
| Cash and cash equivalents | \$ 67,844 | \$ 56,983 | \$ 721,946 |
| Investments | | | |
| Receivables (net of allowance for uncollectibles) | 15,265 | 48,010 | 2,198,243 |
| Interest receivable | | | |
| Due from other governments | | | |
| Prepaid items | | | |
| Total Assets | \$ 83,109 | \$ 104,993 | \$ 2,920,189 |
| Liabilities | | | |
| Accounts payable | \$ 19,398 | \$ | \$ 709,514 |
| Accrued expenditures | | | |
| Total Liabilities | 19,398 | | 709,514 |
| Deferred Inflows of Resources | | | |
| Unavailable revenue | | | 2,198,243 |
| Total Deferred Inflows of Resources | | | 2,198,243 |
| Fund Balances | | | |
| Nonspendable: | | | |
| Prepaid expenses | | | |
| Restricted: | | | |
| Debt service | | | |
| Capital projects | | | |
| Development activities | | | |
| Public safety | 63,711 | 104,993 | 12,432 |
| Total Fund Balances | 63,711 | 104,993 | 12,432 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 83,109 | \$ 104,993 | \$ 2,920,189 |

CITY OF SUGAR LAND, TEXAS
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2014

Page 3 of 3

| | Debt Reduction Fund | Sugar Land Development Corporation Fund | Totals |
|--|------------------------------------|--|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 861,171 | \$ 4,572,990 | \$ 7,657,805 |
| Investments | 4,998,265 | 8,491,777 | 16,983,962 |
| Receivables (net of allowance for uncollectibles) | 143,505 | 1,060,915 | 4,093,261 |
| Interest receivable | 7,704 | 11,854 | 23,847 |
| Due from other governments | | | 61,533 |
| Prepaid items | | 2,740 | 2,740 |
| Total Assets | \$ 6,010,645 | \$ 14,140,276 | \$ 28,823,148 |
| Liabilities | | | |
| Accounts payable | \$ | \$ 784,085 | \$ 1,680,543 |
| Accrued expenditures | | | 7,809 |
| Total Liabilities | | 784,085 | 1,688,352 |
| Deferred Inflows of Resources | | | |
| Unavailable revenue | | | 2,198,243 |
| Total Deferred Inflows of Resources | | | 2,198,243 |
| Fund Balances | | | |
| Nonspendable: | | | |
| Prepaid expenses | | 2,740 | 2,740 |
| Restricted: | | | |
| Debt service | 6,010,645 | 1,333,319 | 7,343,964 |
| Capital projects | | 971,392 | 971,392 |
| Development activities | | 11,048,740 | 16,408,537 |
| Public safety | | | 209,920 |
| Total Fund Balances | 6,010,645 | 13,356,191 | 24,936,553 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 6,010,645 | \$ 14,140,276 | \$ 28,823,148 |

CITY OF SUGAR LAND, TEXAS**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****NON-MAJOR GOVERNMENTAL FUNDS***For the Year Ended September 30, 2014**Page 1 of 3*

| | Tourism Fund | Court Security Fund | Community Development Block Grant Fund |
|---|-------------------------|------------------------------------|---|
| Revenues | | | |
| Sales tax | \$ | \$ | \$ |
| Franchise and other taxes | 2,506,446 | | |
| Fines and forfeitures | | 50,793 | |
| Investment earnings | 6,203 | 21 | |
| Intergovernmental | | | 185,258 |
| Other | | | |
| Total Revenues | <u>2,512,649</u> | <u>50,814</u> | <u>185,258</u> |
| Expenditures | | | |
| Current: | | | |
| General government | 665,894 | | 185,258 |
| Administrative services | | 59,608 | |
| Public Safety - Police | | | |
| Debt Service: | | | |
| Principal | | | |
| Interest and other charges | | | |
| Capital Outlay | 91,436 | | |
| Total Expenditures | <u>757,330</u> | <u>59,608</u> | <u>185,258</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,755,319</u> | <u>(8,794)</u> | |
| Other Financing Sources (Uses) | | | |
| Proceeds from long-term debt, net | | | |
| Transfers in | | | |
| Transfers out | (664,824) | | |
| Total other financing sources and uses | <u>(664,824)</u> | | |
| Net change in fund balances | 1,090,495 | (8,794) | |
| Fund balances - beginning | <u>4,269,302</u> | <u>37,578</u> | |
| Fund balances - ending | <u>\$5,359,797</u> | <u>\$ 28,784</u> | <u>\$</u> |

CITY OF SUGAR LAND, TEXAS**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****NON-MAJOR GOVERNMENTAL FUNDS***For the Year Ended September 30, 2014**Page 2 of 3*

| | Court Technology Fund | Law Enforcement Grant Fund | Photographic Traffic Enforcement Fund |
|---|--------------------------------------|---|--|
| Revenues | | | |
| Sales tax | \$ | \$ | \$ |
| Franchise and other taxes | | | |
| Fines and forfeitures | 67,720 | | 1,953,811 |
| Investment earnings | 44 | 120 | 1,248 |
| Intergovernmental | | | |
| Other | | 21,055 | |
| Total Revenues | <u>67,764</u> | <u>21,175</u> | <u>1,955,059</u> |
| Expenditures | | | |
| Current: | | | |
| General government | | | |
| Administrative services | 101,006 | | |
| Public Safety - Police | | | 1,283,388 |
| Debt Service: | | | |
| Principal | | | |
| Interest and other charges | | | |
| Capital Outlay | | | |
| Total Expenditures | <u>101,006</u> | <u></u> | <u>1,283,388</u> |
| Excess (deficiency) of revenues over expenditures | <u>(33,242)</u> | <u>21,175</u> | <u>671,671</u> |
| Other Financing Sources (Uses) | | | |
| Revenue bonds issued | | | |
| Transfers in | | | |
| Transfers out | | | (671,172) |
| Total other financing sources and uses | | | <u>(671,172)</u> |
| Net change in fund balances | (33,242) | 21,175 | 499 |
| Fund balances - beginning | <u>96,953</u> | <u>83,818</u> | <u>11,933</u> |
| Fund balances - ending | <u>\$ 63,711</u> | <u>\$ 104,993</u> | <u>\$ 12,432</u> |

CITY OF SUGAR LAND, TEXAS**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****NON-MAJOR GOVERNMENTAL FUNDS***For the Year Ended September 30, 2014**Page 3 of 3*

| | Debt Reduction Fund | Sugar Land Development Corporation Fund | Totals |
|---|------------------------------------|--|----------------------|
| Revenues | | | |
| Sales tax | \$ | \$ 6,144,008 | \$ 6,144,008 |
| Franchise and other taxes | | | 2,506,446 |
| Fines and forfeitures | | | 2,072,324 |
| Investment earnings | 15,048 | 10,064 | 32,748 |
| Intergovernmental | 804,497 | 500,000 | 1,489,755 |
| Other | | 1,675 | 22,730 |
| Total Revenues | <u>819,545</u> | <u>6,655,747</u> | <u>12,268,011</u> |
| Expenditures | | | |
| Current: | | | |
| General government | 35,743 | 1,854,109 | 2,741,004 |
| Administrative services | | 2,740 | 163,354 |
| Public Safety - Police | | | 1,283,388 |
| Debt Service: | | | |
| Principal | | 790,000 | 790,000 |
| Interest and other charges | | 717,000 | 717,000 |
| Capital Outlay | | 5,044,560 | 5,135,996 |
| Total Expenditures | <u>35,743</u> | <u>8,408,409</u> | <u>10,830,742</u> |
| Excess (deficiency) of revenues over expenditures | <u>783,802</u> | <u>(1,752,662)</u> | <u>1,437,269</u> |
| Other Financing Sources (Uses) | | | |
| Proceeds from long-term debt, net | | 7,200,000 | 7,200,000 |
| Transfers in | 454,550 | | 454,550 |
| Transfers out | | (530,883) | (1,866,879) |
| Total other financing sources and uses | <u>454,550</u> | <u>6,669,117</u> | <u>5,787,671</u> |
| Net change in fund balances | 1,238,352 | 4,916,455 | 7,224,940 |
| Fund balances - beginning | <u>4,772,293</u> | <u>8,439,736</u> | <u>17,711,613</u> |
| Fund balances - ending | <u>\$ 6,010,645</u> | <u>\$ 13,356,191</u> | <u>\$ 24,936,553</u> |

CITY OF SUGAR LAND, TEXAS
MAJOR GOVERNMENTAL FUND - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2014
with comparative actual totals for the year ended September 30, 2013

| | 2014 | | Variance | |
|---|---------------------|---------------------|----------------------------------|---------------------|
| | Budget | Actual | Positive / (Negative) | 2013 |
| Revenues | | | | |
| Taxes: | | | | |
| Property taxes | \$ 13,788,900 | \$ 13,739,782 | \$ (49,118) | \$ 13,085,899 |
| Investment earnings | 7,958 | 6,722 | (1,236) | 8,864 |
| Other | 308,936 | 308,936 | | 489,528 |
| Total Revenues | <u>14,105,794</u> | <u>14,055,440</u> | <u>(50,354)</u> | <u>13,584,291</u> |
| Expenditures | | | | |
| Current: | | | | |
| Administrative services | 1,605,450 | 1,544,937 | 60,513 | 1,142,301 |
| Debt Service: | | | | |
| Principal | 11,092,441 | 11,092,601 | (160) | 11,587,399 |
| Interest and other charges | 5,135,842 | 4,969,398 | 166,444 | 4,811,071 |
| Total Expenditures | <u>17,833,733</u> | <u>17,606,936</u> | <u>226,797</u> | <u>17,540,771</u> |
| Revenues over (under) expenditures | <u>(3,727,939)</u> | <u>(3,551,496)</u> | <u>176,443</u> | <u>(3,956,480)</u> |
| Other Financing Sources (Uses) | | | | |
| Refunding bonds issued | | | | 4,295,000 |
| Premium on general obligation debt | | | | 491,941 |
| Payments to refunding escrow agent | | | | (4,758,878) |
| Transfers in | 4,513,082 | 4,513,082 | | 4,679,392 |
| Transfers (out) | (54,400) | (86,783) | (32,383) | (53,739) |
| Total other financing sources (uses) | <u>4,458,682</u> | <u>4,426,299</u> | <u>(32,383)</u> | <u>4,653,716</u> |
| Changes in fund balance | <u>730,743</u> | <u>874,803</u> | <u>144,060</u> | <u>697,236</u> |
| Fund balances, beginning of year | <u>3,230,208</u> | <u>3,230,208</u> | | <u>2,532,972</u> |
| Fund balances, end of year | <u>\$ 3,960,951</u> | <u>\$ 4,105,011</u> | <u>\$ 144,060</u> | <u>\$ 3,230,208</u> |

CITY OF SUGAR LAND, TEXAS
MAJOR GOVERNMENTAL FUND - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2014
with comparative actual totals for the year ended September 30, 2013

| | 2014 | | | |
|---|---------------------|----------------------|---|---------------------|
| | Budget | Actual | Variance Positive / (Negative) | 2013 |
| Revenues | | | | |
| Charges for services | \$ 472,500 | \$ 1,254,750 | \$ 782,250 | \$ 476,482 |
| Intergovernmental | 9,407,736 | 11,396,445 | 1,988,709 | 2,415,453 |
| Investment earnings | 25,000 | 11,114 | (13,886) | 16,315 |
| Other | 1,177,888 | 867,980 | (309,908) | 500,000 |
| Total Revenues | <u>11,083,124</u> | <u>13,530,289</u> | <u>2,447,165</u> | <u>3,408,250</u> |
| Expenditures | | | | |
| Current: | | | | |
| Administrative services | 6,450 | 3,225 | 3,225 | 12,900 |
| Public works | 475,000 | 4,503,112 | (4,028,112) | 5,868,641 |
| Parks and recreation | 886,414 | 1,177,889 | (291,475) | 1,341,482 |
| Debt Service: | | | | |
| Bond issuance costs | 240,000 | 322,504 | (82,504) | |
| Capital outlay | <u>41,451,953</u> | <u>16,536,376</u> | <u>24,915,577</u> | <u>14,598,935</u> |
| Total Expenditures | <u>43,059,817</u> | <u>22,543,106</u> | <u>20,516,711</u> | <u>21,821,958</u> |
| Revenues over (under) expenditures | <u>(31,976,693)</u> | <u>(9,012,817)</u> | <u>22,963,876</u> | <u>(18,413,708)</u> |
| Other Financing Sources (Uses) | | | | |
| Bond proceeds | 26,300,000 | 24,440,000 | (1,860,000) | |
| Premium on debt issued | 201,566 | 201,566 | | |
| Transfers in | 4,796,335 | 4,342,527 | (453,808) | 6,689,661 |
| Transfers (out) | (674,500) | (674,500) | | (202,000) |
| Total other financing sources (uses) | <u>30,623,401</u> | <u>28,309,593</u> | <u>(2,313,808)</u> | <u>6,487,661</u> |
| Changes in fund balance | <u>(1,353,292)</u> | <u>19,296,776</u> | <u>20,650,068</u> | <u>(11,926,047)</u> |
| Fund balances, beginning of year | <u>3,517,678</u> | <u>3,517,678</u> | | <u>15,443,725</u> |
| Fund balances, end of year | <u>\$ 2,164,386</u> | <u>\$ 22,814,454</u> | <u>\$ 20,650,068</u> | <u>\$ 3,517,678</u> |

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2014
with comparative actual amounts for the year ended September 30, 2013

| | 2014 | | | |
|---|---------------------|---------------------|---|---------------------|
| | Budget | Actual | Variance Positive / (Negative) | 2013 |
| Revenues | | | | |
| Hotel occupancy tax | \$ 2,316,112 | \$ 2,506,446 | \$ 190,334 | \$ 2,301,261 |
| Investment Income | 6,124 | 6,203 | 79 | 5,204 |
| Other | 1,406 | | (1,406) | 1,444 |
| Total Revenues | <u>2,323,642</u> | <u>2,512,649</u> | <u>189,007</u> | <u>2,307,909</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 945,705 | 665,894 | 279,811 | 585,541 |
| Capital Outlay | <u>900,000</u> | <u>91,436</u> | <u>808,564</u> | <u>25,610</u> |
| Total Expenditures | <u>1,845,705</u> | <u>757,330</u> | <u>1,088,375</u> | <u>611,151</u> |
| Revenues over (under) expenditures | <u>477,937</u> | <u>1,755,319</u> | <u>1,277,382</u> | <u>1,696,758</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in (out) | <u>(664,824)</u> | <u>(664,824)</u> | | <u>(656,261)</u> |
| Changes in fund balance | <u>(186,887)</u> | <u>1,090,495</u> | <u>1,277,382</u> | <u>1,040,497</u> |
| Fund balances, beginning of year | <u>4,269,302</u> | <u>4,269,302</u> | | <u>3,228,805</u> |
| Fund balances, end of year | <u>\$ 4,082,415</u> | <u>\$ 5,359,797</u> | <u>\$ 1,277,382</u> | <u>\$ 4,269,302</u> |

CITY OF SUGAR LAND, TEXAS**SPECIAL REVENUE FUND - COURT SECURITY FUND****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL****For the Year Ended September 30, 2014****with comparative actual amounts for the year ended September 30, 2013**

| | 2014 | | Variance | |
|---|------------------|------------------|----------------------------------|------------------|
| | Budget | Actual | Positive / (Negative) | 2013 |
| Revenues | | | | |
| Fines and forfeitures | \$ 55,095 | \$ 50,793 | \$ (4,302) | \$ 51,023 |
| Investment earnings | 33 | 21 | (12) | 61 |
| Total Revenues | <u>55,128</u> | <u>50,814</u> | <u>(4,314)</u> | <u>51,084</u> |
| Expenditures | | | | |
| Current: | | | | |
| Administrative services | <u>73,926</u> | <u>59,608</u> | <u>14,318</u> | <u>56,940</u> |
| Total Expenditures | <u>73,926</u> | <u>59,608</u> | <u>14,318</u> | <u>56,940</u> |
| Changes in fund balance | <u>(18,798)</u> | <u>(8,794)</u> | <u>10,004</u> | <u>(5,856)</u> |
| Fund balances, beginning of year | <u>37,578</u> | <u>37,578</u> | | <u>43,434</u> |
| Fund balances, end of year | <u>\$ 18,780</u> | <u>\$ 28,784</u> | <u>\$ 10,004</u> | <u>\$ 37,578</u> |

CITY OF SUGAR LAND, TEXAS**SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT BLOCK GRANT FUND****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL****For the Year Ended September 30, 2014***with comparative actual amounts for the year ended September 30, 2013*

| | 2014 | | | |
|---|------------------|----------------|---|----------------|
| | Budget | Actual | Variance Positive / (Negative) | 2013 |
| Revenues | | | | |
| Intergovernmental | \$ 1,003,648 | \$ 185,258 | \$ (818,390) | \$ 188,690 |
| Total Revenues | <u>1,003,648</u> | <u>185,258</u> | <u>(818,390)</u> | <u>188,690</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,000,103 | 185,258 | 814,845 | 185,978 |
| Capital Outlay | <u>3,545</u> | | <u>3,545</u> | <u>2,712</u> |
| Total Expenditures | <u>1,003,648</u> | <u>185,258</u> | <u>818,390</u> | <u>188,690</u> |
| Changes in fund balance | | | | |
| Fund balances, beginning of year | | | | |
| Fund balances, end of year | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |

CITY OF SUGAR LAND, TEXAS
SPECIAL REVENUE FUND - COURT TECHNOLOGY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2014
with comparative actual amounts for the year ended September 30, 2013

| | 2014 | | | |
|---|------------------|------------------|---|------------------|
| | Budget | Actual | Variance Positive / (Negative) | 2013 |
| Revenues | | | | |
| Fines and forfeitures | \$ 69,056 | \$ 67,720 | \$ (1,336) | \$ 68,023 |
| Investment earnings | 57 | 44 | (13) | 185 |
| Total Revenues | <u>69,113</u> | <u>67,764</u> | <u>(1,349)</u> | <u>68,208</u> |
| Expenditures | | | | |
| Current: | | | | |
| Administrative services | <u>145,211</u> | <u>101,006</u> | <u>44,205</u> | <u>107,485</u> |
| Total Expenditures | <u>145,211</u> | <u>101,006</u> | <u>44,205</u> | <u>107,485</u> |
| Changes in fund balance | (76,098) | (33,242) | 42,856 | (39,277) |
| Fund balances, beginning of year | <u>96,953</u> | <u>96,953</u> | | <u>136,230</u> |
| Fund balances, end of year | <u>\$ 20,855</u> | <u>\$ 63,711</u> | <u>\$ 42,856</u> | <u>\$ 96,953</u> |

CITY OF SUGAR LAND, TEXAS**SPECIAL REVENUE FUND - LAW ENFORCEMENT GRANT FUND****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL***For the Year Ended September 30, 2014**with comparative actual amounts for the year ended September 30, 2013*

| | 2014 | | | |
|---|------------------|-------------------|---|------------------|
| | Budget | Actual | Variance Positive / (Negative) | 2013 |
| Revenues | | | | |
| Investment earnings | \$ 100 | \$ 120 | \$ 20 | \$ 126 |
| Intergovernmental | | | | |
| Other | 10,026 | 21,055 | 11,029 | 11,126 |
| Total Revenues | <u>10,126</u> | <u>21,175</u> | <u>11,049</u> | <u>11,252</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Safety - Police | 60,244 | | 60,244 | 9,501 |
| Capital Outlay | <u>4,217</u> | | <u>4,217</u> | <u>8,790</u> |
| Total Expenditures | <u>64,461</u> | | <u>64,461</u> | <u>18,291</u> |
| Revenues over (under) expenditures | <u>(54,335)</u> | <u>21,175</u> | <u>75,510</u> | <u>(7,039)</u> |
| Other Financing Sources | | | | |
| Transfers in (out) | | | | <u>1,788</u> |
| Changes in fund balance | (54,335) | 21,175 | 75,510 | (5,251) |
| Fund balances, beginning of year | <u>83,818</u> | <u>83,818</u> | | <u>89,069</u> |
| Fund balances, end of year | <u>\$ 29,483</u> | <u>\$ 104,993</u> | <u>\$ 75,510</u> | <u>\$ 83,818</u> |

CITY OF SUGAR LAND, TEXAS**SPECIAL REVENUE FUND - PHOTOGRAPHIC TRAFFIC ENFORCEMENT FUND****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL****For the Year Ended September 30, 2014****with comparative actual amounts for the year ended September 30, 2013**

| | 2014 | | | |
|---|------------------|------------------|---|------------------|
| | Budget | Actual | Variance Positive / (Negative) | 2013 |
| Revenues | | | | |
| Fines and forfeitures | \$ 2,009,290 | \$ 1,953,811 | \$ (55,479) | \$ 1,245,952 |
| Investment earnings | 1,000 | 1,248 | 248 | 485 |
| Total Revenues | <u>2,010,290</u> | <u>1,955,059</u> | <u>(55,231)</u> | <u>1,246,437</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Safety - Police | 2,010,290 | 1,283,388 | 726,902 | 846,212 |
| Total Expenditures | <u>2,010,290</u> | <u>1,283,388</u> | <u>726,902</u> | <u>846,212</u> |
| Revenues over (under) expenditures | | 671,671 | 671,671 | 400,225 |
| Other Financing Sources (Uses) | | | | |
| Transfers (out) | | (671,172) | (671,172) | (399,740) |
| Total other financing sources (uses) | | <u>(671,172)</u> | <u>(671,172)</u> | <u>(399,740)</u> |
| Changes in fund balance | | 499 | 499 | 485 |
| Fund balances, beginning of year | <u>11,933</u> | <u>11,933</u> | | <u>11,448</u> |
| Fund balances, end of year | <u>\$ 11,933</u> | <u>\$ 12,432</u> | <u>\$ 499</u> | <u>\$ 11,933</u> |

CITY OF SUGAR LAND, TEXAS**SPECIAL REVENUE FUND - DEBT REDUCTION FUND****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL***For the Year Ended September 30, 2014**with comparative actual amounts for the year ended September 30, 2013*

| | 2014 | | | |
|---|---------------------|---------------------|---|---------------------|
| | Budget | Actual | Variance Positive / (Negative) | 2013 |
| Revenues | | | | |
| Investment earnings | \$ 12,587 | \$ 15,048 | \$ 2,461 | \$ 8,562 |
| Intergovernmental | 825,940 | 804,497 | (21,443) | 843,157 |
| Total Revenues | 838,527 | 819,545 | (18,982) | 851,719 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 10,743 | 35,743 | (25,000) | |
| Total Expenditures | 10,743 | 35,743 | (25,000) | |
| Revenues over (under) expenditures | 827,784 | 783,802 | (43,982) | 851,719 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 468,483 | 454,550 | (13,933) | 459,258 |
| Total other financing sources (uses) | 468,483 | 454,550 | (13,933) | 459,258 |
| Changes in fund balance | 1,296,267 | 1,238,352 | (57,915) | 1,310,977 |
| Fund balances, beginning of year | 4,772,293 | 4,772,293 | | 3,461,316 |
| Fund balances, end of year | \$ 6,068,560 | \$ 6,010,645 | \$ (57,915) | \$ 4,772,293 |

CITY OF SUGAR LAND, TEXAS**SPECIAL REVENUE FUND - SUGAR LAND DEVELOPMENT CORPORATION FUND****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL***For the Year Ended September 30, 2014**with comparative actual amounts for the year ended September 30, 2013*

| | 2014 | | | |
|---|---------------------|----------------------|---|---------------------|
| | Budget | Actual | Variance Positive / (Negative) | 2013 |
| Revenues | | | | |
| Sales and use taxes | \$ 5,929,760 | \$ 6,144,008 | \$ 214,248 | \$ 5,620,646 |
| Investment earnings | 17,969 | 10,064 | (7,905) | 13,828 |
| Intergovernmental | 500,000 | 500,000 | | 425,000 |
| Other | 1,675 | 1,675 | | 1,274 |
| Total Revenues | 6,449,404 | 6,655,747 | 206,343 | 6,060,748 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,963,995 | 1,854,109 | 1,109,886 | 956,324 |
| Administrative services | | 2,740 | (2,740) | 79,460 |
| Debt Service: | | | | |
| Principal | 800,000 | 790,000 | 10,000 | 550,000 |
| Interest | 746,507 | 717,000 | 29,507 | 408,299 |
| Capital Outlay | 6,380,786 | 5,044,560 | 1,336,226 | 626,171 |
| Total Expenditures | 10,891,288 | 8,408,409 | 2,482,879 | 2,620,254 |
| Revenues over (under) expenditures | (4,441,884) | (1,752,662) | 2,689,222 | 3,440,494 |
| Other Financing Sources (Uses) | | | | |
| Proceeds from issuance of debt | 7,200,000 | 7,200,000 | | |
| Transfers (out) | (1,375,634) | (530,883) | 844,751 | (4,096,257) |
| Total other financing sources (uses) | 5,824,366 | 6,669,117 | 844,751 | (4,096,257) |
| Changes in fund balance | 1,382,482 | 4,916,455 | 3,533,973 | (655,763) |
| Fund balances, beginning of year | 8,439,736 | 8,439,736 | | 9,095,499 |
| Fund balances, end of year | \$ 9,822,218 | \$ 13,356,191 | \$ 3,533,973 | \$ 8,439,736 |

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CITY OF SUGAR LAND, TEXAS

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Employee Benefits Fund - This fund is used to account for all financial resources for employee benefits provided to employees except for workers' compensation and retirement.

Fleet Replacement Fund - This fund is used to account for all financial resources for vehicle and equipment replacement.

High-Technology Replacement Fund - This fund is used to account for all financial resources for electronic and radio equipment replacement.

CITY OF SUGAR LAND, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2014

| | Employee Benefits Fund | Fleet Replacement Fund | High- Technology Replacement Fund | Total |
|--|-----------------------------------|---------------------------------------|--|---------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 707,922 | \$ 734,734 | \$ 765,091 | \$ 2,207,747 |
| Cash with fiscal agent | 342,000 | | | 342,000 |
| Investments | 250,264 | 1,496,095 | 1,247,005 | 2,993,364 |
| Accounts receivable, net of allowance for doubtful accounts | 6,416 | 37,481 | 44,711 | 88,608 |
| Interest receivable | 197 | 1,618 | 679 | 2,494 |
| Prepaid items | 22,946 | | | 22,946 |
| Total current assets | 1,329,745 | 2,269,928 | 2,057,486 | 5,657,159 |
| Non-current assets: | | | | |
| Capital Assets: | | | | |
| Equipment and furniture | | 5,837,255 | 3,123,925 | 8,961,180 |
| Less accumulated depreciation | | (4,448,728) | (2,317,906) | (6,766,634) |
| Total non-current assets | | 1,388,527 | 806,019 | 2,194,546 |
| Total assets | 1,329,745 | 3,658,455 | 2,863,505 | 7,851,705 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 1,907,976 | 8,657 | 213,223 | 2,129,856 |
| Total liabilities | 1,907,976 | 8,657 | 213,223 | 2,129,856 |
| Net Position | | | | |
| Investment in capital assets | | 1,388,527 | 806,019 | 2,194,546 |
| Unrestricted | (578,231) | 2,261,271 | 1,844,263 | 3,527,303 |
| Total Net Position | \$ (578,231) | \$ 3,649,798 | \$ 2,650,282 | \$ 5,721,849 |

CITY OF SUGAR LAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2014

| | Employee Benefits Fund | Fleet Replacement Fund | High- Technology Replacement Fund | Total |
|---|-----------------------------------|---------------------------------------|--|---------------------|
| Revenues | | | | |
| Charges for services | \$ 6,567,186 | \$ | \$ | \$ 6,567,186 |
| Total operating revenues | <u>6,567,186</u> | | | <u>6,567,186</u> |
| Operating Expenses | | | | |
| Personnel services | | 43,131 | | 43,131 |
| Supplies and materials | | 146,362 | 650,472 | 796,834 |
| Contractual services | 79,326 | 19,076 | 12,747 | 111,149 |
| Repairs and maintenance | | | 11,171 | 11,171 |
| Insurance claims | 8,058,758 | | | 8,058,758 |
| Depreciation | | 569,400 | 477,420 | 1,046,820 |
| Total operating expenses | <u>8,138,084</u> | <u>777,969</u> | <u>1,151,810</u> | <u>10,067,863</u> |
| Operating income (loss) | <u>(1,570,898)</u> | <u>(777,969)</u> | <u>(1,151,810)</u> | <u>(3,500,677)</u> |
| Non-Operating Revenues (Expenses) | | | | |
| Interest and investment revenue | 3,254 | 1,705 | 920 | 5,879 |
| Gain (loss) on disposal of capital assets | | 85,437 | | 85,437 |
| Total non-operating revenue (expenses) | <u>3,254</u> | <u>87,142</u> | <u>920</u> | <u>91,316</u> |
| Income (loss) before transfers | (1,567,644) | (690,827) | (1,150,890) | (3,409,361) |
| Transfers in | <u>649,726</u> | <u>931,664</u> | <u>1,470,700</u> | <u>3,052,090</u> |
| Change in net position | (917,918) | 240,837 | 319,810 | (357,271) |
| Total net position - beginning | <u>339,687</u> | <u>3,408,961</u> | <u>2,330,472</u> | <u>6,079,120</u> |
| Total net position - ending | <u>\$ (578,231)</u> | <u>\$ 3,649,798</u> | <u>\$ 2,650,282</u> | <u>\$ 5,721,849</u> |

CITY OF SUGAR LAND, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2014

| | Employee Benefits Fund | Fleet Replacement Fund | High- Technology Replacement Fund | Total |
|--|-----------------------------------|---------------------------------------|--|-----------------------|
| Cash Flows from Operating Activities: | | | | |
| Receipts from customers and users | \$ 6,573,591 | \$ | \$ | \$ 6,573,591 |
| Disbursed for personnel services | | (43,131) | | (43,131) |
| Disbursed for goods and services | (7,732,875) | (198,247) | (632,122) | (8,563,244) |
| Net cash provided (used) by operating activities | <u>(1,159,284)</u> | <u>(241,378)</u> | <u>(632,122)</u> | <u>(2,032,784)</u> |
| Cash Flows from Non-Capital Financing Activities: | | | | |
| Transfers from other funds | 649,726 | 931,664 | 1,470,700 | 3,052,090 |
| Net cash provided by (used by) noncapital financing activities | <u>649,726</u> | <u>931,664</u> | <u>1,470,700</u> | <u>3,052,090</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Proceeds from the sale of equipment | | 94,099 | | 94,099 |
| Acquisition and construction of capital assets | | (805,319) | (83,846) | (889,165) |
| Net cash used by capital and related financing activities | | <u>(711,220)</u> | <u>(83,846)</u> | <u>(795,066)</u> |
| Cash Flows from Investing Activities | | | | |
| Purchase of investments | (1,318) | (495,984) | (747,954) | (1,245,256) |
| Interest received | 3,254 | 1,194 | 535 | 4,983 |
| Net cash provided by (used by) investing activities | <u>1,936</u> | <u>(494,790)</u> | <u>(747,419)</u> | <u>(1,240,273)</u> |
| Net increase/(decrease) in cash and equivalents | (507,622) | (515,724) | 7,313 | (1,016,033) |
| Cash and equivalents, beginning of year | 1,215,544 | 1,250,458 | 757,778 | 3,223,780 |
| Cash and equivalents, at end of year | <u>\$ 707,922</u> | <u>\$ 734,734</u> | <u>\$ 765,091</u> | <u>\$ 2,207,747</u> |
| Reconciliation of operating income to net cash provided by operating activities | | | | |
| Operating income (loss) | \$ (1,570,898) | \$ (777,969) | \$ (1,151,810) | \$ (3,500,677) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | | 569,400 | 477,420 | 1,046,820 |
| (Increase) decrease in accounts receivable | 6,405 | (37,481) | (44,711) | (75,787) |
| (Increase) decrease in prepaid expenses | (2,346) | | | (2,346) |
| Increase (decrease) in accounts payable | 407,555 | 4,672 | 86,979 | 499,206 |
| Net cash provided by operating activities | <u>\$ (1,159,284)</u> | <u>\$ (241,378)</u> | <u>\$ (632,122)</u> | <u>\$ (2,032,784)</u> |

**DISCRETELY PRESENTED COMPONENT UNITS
FUND BASED FINANCIAL STATEMENTS**

CITY OF SUGAR LAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
BALANCE SHEETS - GOVERNMENTAL FUNDS
September 30, 2014

| | Sugar Land 4B Corporation | Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 | Sugar Land Reinvestment Zone No. 3 | Sugar Land Reinvestment Zone No. 4 | Total |
|---|--|---|---|---|------------------------|
| Assets | | | | | |
| Cash and equivalents | \$ 474,327 | \$ 139,484 | \$ 48,374 | \$ 124,434 | \$ 786,619 |
| Investments | 3,489,193 | | | | 3,489,193 |
| Receivables-less allowance for uncollectibles | 1,067,832 | 6,469 | | | 1,074,301 |
| Prepaid items | 1,639 | | | | 1,639 |
| Restricted cash and investments | 3,633,443 | | 5,685 | | 3,639,128 |
| Total Assets | 8,666,434 | 145,953 | 54,059 | 124,434 | 8,990,880 |
| Liabilities | | | | | |
| Accounts payable and accrued expenses | 120,919 | | 2,624 | | 123,543 |
| Total Liabilities | 120,919 | | 2,624 | | 123,543 |
| Fund Balance | | | | | |
| Nonspendable - prepaid items | 1,639 | | | | 1,639 |
| Restricted - debt service | 3,633,443 | | | | 3,633,443 |
| Restricted - economic development | 4,910,433 | 145,953 | 51,435 | 124,434 | 5,232,255 |
| Total Fund Balance | 8,545,515 | 145,953 | 51,435 | 124,434 | 8,867,337 |
| Total Liabilities and Fund Balance | \$ 8,666,434 | \$ 145,953 | \$ 54,059 | \$ 124,434 | \$ 8,990,880 |
| Reconciliation from Fund Balance to Net Position | | | | | |
| Fund Balance | \$ 8,545,515 | \$ 145,953 | \$ 51,435 | \$ 124,434 | \$ 8,867,337 |
| Plus deferred outflows of resources | 198,057 | | | | 198,057 |
| Less long-term liabilities | (37,677,414) | | | | (37,677,414) |
| Less interest payable | (206,157) | | | | (206,157) |
| Net Position | \$ (29,139,999) | \$ 145,953 | \$ 51,435 | \$ 124,434 | \$ (28,818,177) |

CITY OF SUGAR LAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

| | Sugar Land 4B Corporation | Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 | Sugar Land Reinvestment Zone No. 3 | Sugar Land Reinvestment Zone No. 4 | Total Component Units |
|---|--|---|---|---|--------------------------------------|
| Revenues | | | | | |
| Taxes: | | | | | |
| Property taxes | \$ | \$ 1,062,155 | \$ 7,341 | \$ 123,891 | \$ 1,193,387 |
| Sales tax | 6,144,008 | | | | 6,144,008 |
| Intergovernmental | 154,031 | | | | 154,031 |
| Investment earnings | 2,328 | 1,178 | 66 | 69 | 3,641 |
| Other | 296,280 | 628 | | | 296,908 |
| Total Revenues | <u>6,596,647</u> | <u>1,063,961</u> | <u>7,407</u> | <u>123,960</u> | <u>7,791,975</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 1,419,713 | 980,851 | 6,710 | 2,895 | 2,410,169 |
| Debt Service: | | | | | |
| Principal | 2,685,100 | | | | 2,685,100 |
| Interest | 1,781,113 | | | | 1,781,113 |
| Total Expenditures | <u>5,885,926</u> | <u>980,851</u> | <u>6,710</u> | <u>2,895</u> | <u>6,876,382</u> |
| Revenues over (under) expenditures | <u>710,721</u> | <u>83,110</u> | <u>697</u> | <u>121,065</u> | <u>915,593</u> |
| Fund balances, beginning of year | <u>7,834,794</u> | <u>62,843</u> | <u>50,738</u> | <u>3,369</u> | <u>7,951,744</u> |
| Fund balances, end of year | <u>\$ 8,545,515</u> | <u>\$ 145,953</u> | <u>\$ 51,435</u> | <u>\$ 124,434</u> | <u>\$ 8,867,337</u> |
| Reconciliation from changes in fund balance to changes in net position | | | | | |
| Change in Fund Balance | \$ 710,721 | \$ 83,110 | \$ 697 | \$ 121,065 | \$ 915,593 |
| Add principal payments | 2,685,100 | | | | 2,685,100 |
| Add other changes in long-term assets and liabilities | 18,210 | | | | 18,210 |
| Changes in Net Position | <u>\$ 3,414,031</u> | <u>\$ 83,110</u> | <u>\$ 697</u> | <u>\$ 121,065</u> | <u>\$ 3,618,903</u> |

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CITY OF SUGAR LAND, TEXAS
UNAUDITED STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

| | Page |
|--|-------------|
| Financial Trends | 104 |
| These schedules contain trend information to help the reader understand how the City's financial performance and "well-being" have changed over time. | |
| Revenue Capacity | 114 |
| These schedules contain information to help the reader assess the City's most significant local revenue sources: sales and property taxes. | |
| Debt Capacity | 123 |
| These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | |
| Demographic and Economic Information | 128 |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | |
| Operating Information | 130 |
| These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF SUGAR LAND, TEXAS**NET POSITION BY COMPONENT****LAST TEN FISCAL YEARS***Amounts in (000's)**(Accrual Basis of Accounting)*

| | Fiscal Year | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2005 | 2006 | 2007 | 2008 |
| Governmental Activities | | | | |
| Net investment in capital assets | \$ 88,966 | \$ 92,005 | \$ 116,539 | \$ 124,219 |
| Restricted | 5,564 | 7,667 | 12,838 | 14,508 |
| Unrestricted | 27,568 | 38,331 | 33,552 | 35,199 |
| Total governmental activities net position | <u>\$ 122,098</u> | <u>\$ 138,003</u> | <u>\$ 162,929</u> | <u>\$ 173,926</u> |
| Business-type Activities | | | | |
| Net investment in capital assets | \$ 124,387 | \$ 143,028 | \$ 195,126 | \$ 199,679 |
| Restricted | 2,598 | 2,673 | 3,011 | 3,464 |
| Unrestricted | 7,421 | 7,166 | 4,802 | 7,531 |
| Total business-type net position | <u>\$ 134,406</u> | <u>\$ 152,867</u> | <u>\$ 202,939</u> | <u>\$ 210,674</u> |
| Primary government | | | | |
| Net investment in capital assets | \$ 213,353 | \$ 235,033 | \$ 311,665 | \$ 323,898 |
| Restricted | 8,162 | 10,340 | 15,849 | 17,972 |
| Unrestricted | 34,989 | 45,497 | 38,354 | 42,730 |
| Total primary government net position | <u>\$ 256,504</u> | <u>\$ 290,870</u> | <u>\$ 365,868</u> | <u>\$ 384,600</u> |

| Fiscal Year | | | | | |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| \$ 170,519 | \$ 161,857 | \$ 213,685 | \$ 255,293 | \$ 280,082 | \$ 282,719 |
| 18,259 | 21,535 | 14,705 | 18,863 | 20,305 | 28,311 |
| 29,931 | 28,639 | 26,882 | 27,698 | 32,551 | 37,503 |
| <u>\$ 218,709</u> | <u>\$ 212,031</u> | <u>\$ 255,272</u> | <u>\$ 301,854</u> | <u>\$ 332,937</u> | <u>\$ 348,533</u> |
| | | | | | |
| \$ 210,123 | \$ 218,494 | \$ 224,092 | \$ 240,741 | \$ 231,676 | \$ 229,356 |
| 5,478 | 6,963 | 7,475 | 7,926 | 8,068 | 26,945 |
| 8,613 | 10,200 | 15,760 | 9,848 | 23,675 | 16,718 |
| <u>\$ 224,214</u> | <u>\$ 235,657</u> | <u>\$ 247,327</u> | <u>\$ 258,515</u> | <u>\$ 263,418</u> | <u>\$ 273,019</u> |
| | | | | | |
| \$ 380,643 | \$ 380,352 | \$ 437,777 | \$ 496,034 | \$ 511,757 | \$ 512,075 |
| 23,738 | 28,498 | 22,180 | 26,789 | 28,372 | 55,256 |
| 38,543 | 38,838 | 42,642 | 37,546 | 56,226 | 54,221 |
| <u>\$ 442,924</u> | <u>\$ 447,688</u> | <u>\$ 502,599</u> | <u>\$ 560,369</u> | <u>\$ 596,355</u> | <u>\$ 621,552</u> |

CITY OF SUGAR LAND, TEXAS

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

| | Fiscal Year | | | |
|--|------------------------|------------------------|-----------------------|------------------------|
| | 2005 | 2006 | 2007 | 2008 |
| Expenses | | | | |
| Governmental Activities: | | | | |
| General government | \$ 5,515,474 | \$ 9,495,752 | \$ 10,423,331 | \$ 11,839,672 |
| Administrative services | 5,574,377 | 6,350,781 | 10,298,466 | 11,145,609 |
| Public safety - Police | 10,706,162 | 12,352,022 | 13,854,658 | 15,560,440 |
| Public safety - Fire | 8,029,497 | 8,476,255 | 9,088,288 | 11,075,689 |
| Public works | 15,227,593 | 21,727,624 | 14,478,873 | 13,354,211 |
| Parks and recreation | 2,675,897 | 3,158,684 | 3,151,255 | 3,515,675 |
| Community development | 3,636,045 | 3,764,431 | 2,421,116 | 4,713,084 |
| Interest on long-term debt | 4,461,193 | 3,356,457 | 4,907,490 | 5,365,325 |
| Total governmental activities expenses | 55,826,238 | 68,682,006 | 68,623,477 | 76,569,705 |
| Business-Type Activities: | | | | |
| Utility | 12,067,059 | 15,377,787 | 16,893,917 | 19,674,836 |
| Regional airport | 6,809,363 | 9,334,903 | 9,486,024 | 12,932,066 |
| Surface Water | | | | |
| Solid waste management | 2,707,293 | 3,054,482 | 3,200,763 | 3,864,419 |
| Total business-type activities expenses | 21,583,715 | 27,767,172 | 29,580,704 | 36,471,321 |
| Total primary government expenses | \$ 77,409,953 | \$ 96,449,178 | \$ 98,204,181 | \$ 113,041,026 |
| Program Revenues | | | | |
| Governmental Activities: | | | | |
| Charges for services: | | | | |
| Administrative services | \$ 1,100,157 | \$ 1,885,020 | \$ 2,046,873 | \$ 2,924,426 |
| Public safety - Fire | 1,814,332 | 1,771,151 | 1,674,410 | 1,682,088 |
| Community development | 1,527,899 | 2,052,192 | 2,783,375 | 2,564,714 |
| Other | 1,340,834 | 1,163,433 | 588,174 | 1,705,382 |
| Operating grants and contributions | 1,966,820 | 1,593,649 | 1,672,011 | 2,547,348 |
| Capital grants and contributions | 2,695,329 | 3,160,386 | 15,149,904 | 4,193,480 |
| Total governmental activities program revenues | 10,445,371 | 11,625,831 | 23,914,747 | 15,617,438 |
| Business-Type Activities | | | | |
| Charges for services: | | | | |
| Utility | 17,152,477 | 19,179,355 | 21,612,433 | 25,166,996 |
| Regional airport | 7,294,538 | 9,391,418 | 10,121,153 | 13,076,039 |
| Surface Water | | | | |
| Solid waste management | 2,679,622 | 3,018,814 | 3,138,901 | 3,980,877 |
| Operating grants and contributions | 22,354 | 3,371,408 | 92,406 | 88,595 |
| Capital grants and contributions | 4,844,233 | 15,812,287 | 50,077,524 | 7,345,680 |
| Total business-type activities program revenues | 31,993,224 | 50,773,282 | 85,042,417 | 49,658,187 |
| Total primary government program revenues | \$ 42,438,595 | \$ 62,399,113 | \$ 108,957,164 | \$ 65,364,092 |
| Net (Expense) Revenue | | | | |
| Governmental activities | \$ (45,380,867) | \$ (57,056,175) | \$ (44,708,730) | \$ (60,952,267) |
| Business-type activities | 10,409,509 | 23,006,110 | 55,461,713 | 13,186,866 |
| Total primary government net expense | \$ (34,971,358) | \$ (34,050,065) | \$ 10,752,983 | \$ (47,765,401) |

| Fiscal Year | | | | | |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| \$ 14,638,050 | \$ 11,950,794 | \$ 11,969,433 | \$ 11,463,677 | \$ 13,087,580 | \$ 15,675,644 |
| 15,469,507 | 14,617,875 | 12,721,478 | 9,802,035 | 10,471,115 | 7,876,517 |
| 16,045,992 | 17,126,183 | 18,095,251 | 18,354,251 | 18,333,422 | 19,541,680 |
| 14,530,795 | 10,325,782 | 10,199,579 | 10,898,603 | 10,838,009 | 12,045,062 |
| 14,136,657 | 16,673,481 | 17,027,897 | 22,311,568 | 23,481,443 | 24,894,769 |
| 3,944,900 | 9,159,332 | 7,264,499 | 8,504,303 | 8,177,350 | 7,916,451 |
| 3,812,432 | 4,073,334 | 4,038,545 | 4,855,764 | 4,667,336 | 5,188,471 |
| 5,490,374 | 5,394,340 | 6,555,667 | 5,908,721 | 5,066,337 | 5,910,083 |
| 88,068,707 | 89,321,121 | 87,872,349 | 92,098,922 | 94,122,592 | 99,048,677 |
| 21,943,160 | 22,248,954 | 26,487,388 | 28,574,352 | 39,919,147 | 22,848,223 |
| 9,879,544 | 11,366,997 | 14,874,179 | 16,002,860 | 16,633,872 | 16,828,870 |
| | | | | 6,670,417 | 12,098,623 |
| 4,538,631 | 5,279,327 | 5,305,970 | 5,087,731 | 5,067,548 | 5,147,195 |
| 36,361,335 | 38,895,278 | 46,667,537 | 49,664,943 | 68,290,984 | 56,922,911 |
| \$124,430,042 | \$128,216,399 | \$134,539,886 | \$141,763,865 | \$162,413,576 | \$155,971,588 |
| \$ 3,839,810 | \$ 3,352,232 | \$ 3,916,555 | \$ 3,663,149 | \$ 3,261,324 | \$ 2,678,310 |
| 1,908,129 | 1,552,253 | 1,526,340 | 2,102,494 | 2,229,152 | 2,233,714 |
| 2,364,539 | 2,188,436 | 2,404,638 | 2,376,127 | 2,817,871 | 3,033,205 |
| 1,967,236 | 3,608,192 | 3,534,161 | 3,231,665 | 2,748,396 | 4,766,369 |
| 5,139,071 | 1,480,490 | 1,019,323 | 1,566,549 | 1,517,342 | 936,559 |
| 42,710,113 | 8,420,807 | 42,497,257 | 43,196,769 | 27,028,874 | 9,004,691 |
| 57,928,898 | 20,602,410 | 54,898,274 | 56,136,753 | 39,602,959 | 22,652,848 |
| 29,085,428 | 27,593,557 | 35,625,109 | 40,543,433 | 42,958,217 | 31,417,468 |
| 8,843,750 | 11,084,688 | 14,355,810 | 15,675,468 | 16,576,205 | 16,939,277 |
| | | | | 4,184,027 | 12,884,852 |
| 4,497,802 | 4,859,770 | 5,264,072 | 5,068,656 | 5,007,131 | 5,030,491 |
| 59,880 | 216,570 | 354,865 | 84,271 | 65,091 | 73,199 |
| 12,531,211 | 12,163,511 | 8,193,030 | 6,297,452 | 11,560,813 | 6,641,939 |
| 55,018,071 | 55,918,096 | 63,792,886 | 67,669,280 | 80,351,484 | 72,987,226 |
| \$112,946,969 | \$ 76,520,506 | \$118,691,160 | \$123,806,033 | \$119,954,443 | \$ 95,640,074 |
| \$ (30,139,809) | \$ (68,718,711) | \$ (32,974,075) | \$ (35,962,169) | \$ (54,519,633) | \$ (76,395,829) |
| 18,656,736 | 17,022,818 | 17,125,349 | 18,004,337 | 12,060,500 | 16,064,315 |
| \$ (11,483,073) | \$ (51,695,893) | \$ (15,848,726) | \$ (17,957,832) | \$ (42,459,133) | \$ (60,331,514) |

CITY OF SUGAR LAND, TEXAS
CHANGES IN NET POSITION (continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Year | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2005 | 2006 | 2007 | 2008 |
| General Revenues and Other Changes in Net Position | | | | |
| Governmental Activities: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 19,279,037 | \$ 21,110,181 | \$ 21,773,074 | \$ 22,716,623 |
| Sales tax | 23,983,139 | 30,910,495 | 32,670,300 | 34,398,124 |
| Franchise and other taxes | 5,238,674 | 5,607,253 | 5,722,424 | 6,135,916 |
| Unrestricted grants and contributions | | 1,056,108 | | |
| Investment earnings | 1,053,641 | 2,529,438 | 3,126,277 | 1,999,308 |
| Miscellaneous | 5,722 | 26,412 | 20,311 | 587,370 |
| Special Item | | | | |
| Transfers | 5,271,350 | 5,463,678 | 6,322,645 | 6,112,762 |
| Total governmental activities | 54,831,563 | 66,703,565 | 69,635,031 | 71,950,103 |
| Business-Type Activities: | | | | |
| Investment earnings | 405,720 | 918,322 | 975,420 | 661,026 |
| Miscellaneous | | | | |
| Transfers | (5,271,350) | (5,463,678) | (6,322,645) | (6,112,762) |
| Total business-type activities | (4,865,630) | (4,545,356) | (5,347,225) | (5,451,736) |
| Total primary government | \$ 49,965,933 | \$ 62,158,209 | \$ 64,287,806 | \$ 66,498,367 |
| Changes in Net Position: | | | | |
| Governmental activities | \$ 9,450,696 | \$ 9,647,390 | \$ 24,926,301 | \$ 10,997,836 |
| Business-type activities | 5,543,879 | 18,460,754 | 50,114,488 | 7,735,130 |
| Total primary government | \$ 14,994,575 | \$ 28,108,144 | \$ 75,040,789 | \$ 18,732,966 |

| Fiscal Year | | | | | |
|---------------|----------------|---------------|---------------|---------------|---------------|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| \$ 26,207,576 | \$ 29,128,113 | \$ 27,539,737 | \$ 28,282,258 | \$ 29,920,274 | \$ 31,367,793 |
| 34,823,327 | 33,039,840 | 35,086,830 | 38,239,215 | 39,790,138 | 43,453,673 |
| 6,377,523 | 6,611,934 | 6,751,900 | 7,472,103 | 8,019,976 | 8,373,935 |
| 1,194,603 | 467,715 | 360,902 | 250,959 | 236,117 | 240,913 |
| 729,542 | 849,701 | 756,532 | 1,054,383 | 1,328,239 | 1,393,438 |
| | (13,906,224) | | | | |
| 5,590,028 | 5,849,543 | 5,718,716 | 7,245,571 | 7,287,990 | 7,161,781 |
| 74,922,599 | 62,040,622 | 76,214,617 | 82,544,489 | 86,582,734 | 91,991,533 |
| 473,837 | 269,249 | 263,593 | 429,350 | 218,645 | 117,683 |
| | | | | 404,274 | 580,735 |
| (5,590,028) | (5,849,543) | (5,718,716) | (7,245,571) | (7,287,990) | (7,161,781) |
| (5,116,191) | (5,580,294) | (5,455,123) | (6,816,221) | (6,665,071) | (6,463,363) |
| \$ 69,806,408 | \$ 56,460,328 | \$ 70,759,494 | \$ 75,728,268 | \$ 79,917,663 | \$ 85,528,170 |
| \$ 44,782,790 | \$ (6,678,089) | \$ 43,240,542 | \$ 46,582,320 | \$ 32,063,101 | \$ 15,595,704 |
| 13,540,545 | 11,442,524 | 11,670,226 | 11,188,116 | 5,395,429 | 9,600,952 |
| \$ 58,323,335 | \$ 4,764,435 | \$ 54,910,768 | \$ 57,770,436 | \$ 37,458,530 | \$ 25,196,656 |

CITY OF SUGAR LAND**FUND BALANCES OF GOVERNMENTAL FUNDS***Last Ten Fiscal Years**(Modified Accrual Basis of Accounting)*

| | Fiscal Year | | | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 2005* | 2006 | 2007 | 2008 |
| General fund | | | | |
| Nonspendable: | | | | |
| Inventories | \$ 137,055 | \$ 131,789 | \$ 149,015 | \$ 214,910 |
| Prepaid items | 25,643 | 22,381 | 24,722 | 35,264 |
| Committed | | | | |
| Assigned | 1,185,961 | 570,325 | 736,341 | 3,239,821 |
| Unassigned | 19,287,577 | 22,970,366 | 25,350,615 | 23,284,240 |
| Total General fund | <u>\$20,636,236</u> | <u>\$23,694,861</u> | <u>\$26,260,693</u> | <u>\$26,774,235</u> |
| All other governmental funds | | | | |
| Nonspendable: | | | | |
| Prepaid items | \$ 26,820 | \$ 600,104 | \$ 599,557 | \$ |
| Restricted: | | | | |
| Debt service | 5,408,932 | 7,742,929 | 6,760,482 | 6,831,645 |
| Capital projects | 10,953,828 | 17,023,058 | 10,107,767 | 16,612,280 |
| Development activities | 436,335 | 6,473,506 | 5,963,238 | 8,759,190 |
| Public safety | 349,647 | 371,250 | 330,232 | 377,885 |
| Drainage improvement | | | 245,497 | |
| Unassigned | | | (83,290) | |
| Total all other governmental funds | <u>\$17,175,562</u> | <u>\$32,210,847</u> | <u>\$23,923,483</u> | <u>\$32,581,000</u> |

* In fiscal year 2005 a formerly discretely presented component unit, the Sugar Land Development Corporation, was blended.

Note: In conforming to provisions of GASB Statement No. 54, fund balances of prior periods were restated to the new fund balance classifications.

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| \$ 160,160 | \$ 170,230 | \$ 169,208 | \$ 160,635 | \$ 209,793 | \$ 217,124 |
| 49,701 | 48,690 | 49,727 | 43,861 | 30,008 | 25,655 |
| | | | | 463,599 | 3,091,704 |
| 877,578 | 1,259,302 | 638,523 | 652,316 | 219,357 | 385,205 |
| 26,649,204 | 26,400,935 | 25,359,638 | 24,260,117 | 25,740,747 | 24,544,824 |
| <u>\$ 27,736,643</u> | <u>\$ 27,879,157</u> | <u>\$ 26,217,096</u> | <u>\$ 25,116,929</u> | <u>\$ 26,663,504</u> | <u>\$ 28,264,512</u> |
| | | | | | |
| \$ 2,740 | \$ 2,740 | \$ 9,740 | \$ 2,740 | \$ 2,740 | \$ 2,740 |
| 7,473,977 | 9,822,105 | 7,602,464 | 7,397,649 | 9,419,630 | 11,448,975 |
| 8,409,874 | 39,154,554 | 30,931,980 | 15,443,725 | 3,517,678 | 23,785,846 |
| 11,255,576 | 12,205,088 | 7,015,201 | 10,918,203 | 11,289,169 | 16,408,537 |
| 676,382 | 1,053,827 | 1,488,292 | 1,779,756 | 230,282 | 209,920 |
| | | | | | |
| <u>\$ 27,818,549</u> | <u>\$ 62,238,314</u> | <u>\$ 47,047,677</u> | <u>\$ 35,542,073</u> | <u>\$ 24,459,499</u> | <u>\$ 51,856,018</u> |

CITY OF SUGAR LAND**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS***Last Ten Fiscal Years**(Modified Accrual Basis of Accounting)*

| | Fiscal Year | | | |
|---|---------------------|---------------------|-----------------------|---------------------|
| | 2005 | 2006 | 2007 | 2008 |
| Revenues | | | | |
| Taxes: | | | | |
| General property | \$ 19,242,598 | \$ 21,063,738 | \$ 21,654,619 | \$ 22,648,350 |
| Sales and use taxes | 25,032,282 | 32,217,608 | 34,161,008 | 36,048,286 |
| Franchise taxes | 4,174,190 | 4,300,140 | 4,231,716 | 4,485,754 |
| Licenses and permits | 1,453,888 | 1,993,057 | 2,713,913 | 2,398,765 |
| Fines and forfeitures | 1,312,202 | 1,376,926 | 1,666,349 | 2,845,153 |
| Charges for services | 2,777,499 | 2,776,596 | 3,283,310 | 4,056,076 |
| Investment earnings | 991,168 | 2,419,131 | 2,960,813 | 1,882,428 |
| Intergovernmental | 4,528,755 | 3,133,325 | 2,273,746 | 3,883,420 |
| Other | 567,062 | 454,938 | 77,914 | 814,787 |
| Total Revenues | 60,079,644 | 69,735,459 | 73,023,388 | 79,063,019 |
| Expenditures | | | | |
| General government | 5,499,979 | 8,930,578 | 9,146,314 | 14,563,908 |
| Administrative services | 5,155,481 | 5,282,580 | 8,684,560 | 5,415,343 |
| Public safety | 18,591,158 | 19,736,392 | 22,322,526 | 25,354,202 |
| Public works | 6,505,895 | 7,415,075 | 5,503,132 | 6,045,538 |
| Parks and recreation | 2,148,540 | 2,476,977 | 2,501,447 | 2,777,315 |
| Community development | 3,045,013 | 3,097,520 | 3,434,872 | 3,794,196 |
| Debt Service: | | | | |
| Principal | 11,166,491 | 12,634,438 | 12,283,907 | 11,139,672 |
| Interest and other charges | 6,161,161 | 7,269,724 | 5,718,988 | 5,338,204 |
| Capital outlay | 8,255,603 | 20,391,276 | 14,469,153 | 11,185,254 |
| Total Expenditures | 66,529,321 | 87,234,560 | 84,064,899 | 85,613,632 |
| Excess of revenues over (under) expenditures | (6,449,677) | (17,499,101) | (11,041,511) | (6,550,613) |
| Other Financing Sources (Uses) | | | | |
| Certificates of obligation issued | | | | |
| General obligation bonds issued | 15,535,000 | 9,980,000 | | 11,385,000 |
| Revenue bonds issued | | 12,365,000 | | |
| Refunding bonds issued | | 25,695,000 | | |
| Premium (discount) on debt issued | 149,578 | 980,763 | | |
| Payments to refunded bond escrow agent | (11,482,431) | (26,292,055) | | |
| Proceeds of the sale of capital assets | | | | |
| Capital leases | | | | |
| Transfers in | 7,811,190 | 12,371,780 | 13,942,261 | 11,479,267 |
| Transfers (out) | (3,490,133) | (7,893,696) | (8,622,276) | (7,142,591) |
| Total other financing sources (uses) | 8,523,204 | 27,206,792 | 5,319,985 | 15,721,676 |
| Net change in fund balances | <u>\$ 2,073,527</u> | <u>\$ 9,707,691</u> | <u>\$ (5,721,526)</u> | <u>\$ 9,171,063</u> |
| Debt service as a percentage of noncapital expenditures | 29.7% | 29.8% | 25.9% | 22.1% |

| Fiscal Year | | | | | |
|----------------|---------------|-----------------|-----------------|----------------|---------------|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| \$ 26,145,691 | \$ 29,102,845 | \$ 27,588,283 | \$ 28,242,085 | \$ 29,874,615 | \$ 31,356,582 |
| 36,389,644 | 34,581,479 | 36,857,302 | 40,111,821 | 39,344,519 | 43,008,054 |
| 4,661,287 | 4,920,376 | 4,731,821 | 5,161,877 | 8,019,976 | 8,373,935 |
| 2,160,999 | 2,163,562 | 2,371,944 | 2,332,393 | 2,817,871 | 3,033,205 |
| 3,088,489 | 3,273,032 | 3,874,845 | 3,399,284 | 3,364,798 | 3,964,053 |
| 4,849,709 | 3,694,519 | 3,399,457 | 3,182,908 | 3,649,563 | 4,477,416 |
| 1,128,345 | 461,633 | 352,469 | 242,856 | 230,542 | 235,034 |
| 12,865,312 | 8,183,086 | 30,102,390 | 29,941,993 | 4,477,965 | 14,014,873 |
| 364,509 | 308,694 | 5,345,683 | 1,193,356 | 1,444,727 | 1,300,331 |
| 91,653,985 | 86,689,226 | 114,624,194 | 113,808,573 | 93,224,576 | 109,763,483 |
| 9,451,503 | 10,682,661 | 10,421,139 | 10,350,520 | 12,019,511 | 13,934,579 |
| 14,039,145 | 12,200,260 | 10,728,359 | 6,665,760 | 7,708,191 | 7,743,921 |
| 30,413,697 | 26,263,330 | 28,858,550 | 27,852,455 | 27,951,639 | 29,573,636 |
| 6,205,250 | 9,397,495 | 10,092,059 | 15,280,951 | 14,456,178 | 13,947,304 |
| 2,960,890 | 8,088,715 | 6,131,140 | 7,245,735 | 6,782,321 | 6,726,036 |
| 3,747,772 | 3,981,327 | 3,965,737 | 4,781,203 | 4,592,647 | 4,917,761 |
| 11,104,420 | 12,458,335 | 14,744,007 | 13,643,295 | 12,529,510 | 12,216,112 |
| 5,341,234 | 6,486,624 | 6,491,477 | 5,769,576 | 5,261,161 | 6,040,441 |
| 18,745,284 | 12,099,869 | 44,225,175 | 38,821,615 | 15,262,218 | 21,672,372 |
| 102,009,195 | 101,658,616 | 135,657,643 | 130,411,110 | 106,563,376 | 116,772,162 |
| (10,355,210) | (14,969,390) | (21,033,449) | (16,602,537) | (13,338,800) | (7,008,679) |
| | 40,775,000 | | | | 24,440,000 |
| | 2,435,000 | | | | 7,200,000 |
| | 26,810,000 | | 9,440,000 | 4,295,000 | |
| | 1,707,730 | | 806,260 | 491,941 | 201,566 |
| | (28,296,220) | | (10,328,482) | (4,758,878) | |
| 1,668,756 | 78,465 | 125,995 | 90,953 | 78,516 | 54,949 |
| 623,300 | 1,709,042 | | | | |
| 10,350,336 | 10,438,670 | 17,193,975 | 13,518,223 | 16,183,645 | 13,794,353 |
| (6,087,227) | (6,126,018) | (13,139,219) | (9,530,188) | (10,987,848) | (9,684,662) |
| 6,555,165 | 49,531,669 | 4,180,751 | 3,996,766 | 5,302,376 | 36,006,206 |
| \$ (3,800,045) | \$ 34,562,279 | \$ (16,852,698) | \$ (12,605,771) | \$ (8,036,424) | \$ 28,997,527 |
| 19.8% | 21.2% | 23.2% | 21.2% | 19.5% | 19.2% |

CITY OF SUGAR LAND, TEXAS**TAXABLE SALES***Most Recent Calendar Year and Nine Years Ago*

| | 2004 | 2005 | 2006 | 2007 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Retail trade | \$ 657,467,599 | \$ 705,149,129 | \$ 809,548,650 | \$ 1,041,357,085 |
| Accommodation/Food Services | 125,217,312 | 141,406,079 | 160,203,538 | 183,194,577 |
| Wholesale trade | 96,106,760 | 129,590,118 | 100,998,889 | 126,340,529 |
| Construction | 72,931,141 | 82,435,685 | 148,647,428 | 125,525,252 |
| Information | 87,687,807 | 79,106,766 | 69,933,126 | 63,304,095 |
| Professional/Scientific/Technical Services | 28,645,267 | 30,343,466 | 32,611,442 | 43,007,134 |
| Arts/Entertainment/Recreation | 26,134,716 | 30,944,499 | 35,683,686 | 40,367,297 |
| Manufacturing | 13,681,238 | 14,117,095 | 18,053,650 | 30,304,881 |
| Other services (except public administration) | 17,337,139 | 19,531,951 | 22,030,038 | 23,548,996 |
| Admin/Support/Waste Mgmt/Remediation Services | 17,515,112 | 21,806,271 | 23,392,488 | 19,226,638 |
| Real Estate/Rental/Leasing | 7,257,766 | 6,757,160 | 13,336,535 | 13,107,901 |
| Utilities | 313,337 | 336,228 | 213,895 | 7,257,357 |
| Management of Companies/Enterprises | 55,506,334 | 60,297,155 | 18,611,026 | 5,418,090 |
| Transportation/Warehousing | 1,180,345 | 817,070 | 1,010,732 | 1,331,028 |
| Health Care/Social Assistance | 834,120 | 776,749 | 990,456 | 1,255,260 |
| Finance/Insurance | 2,054,983 | 5,634,975 | 1,850,429 | 1,207,585 |
| Educational services | 467,134 | 587,445 | 783,940 | 918,972 |
| Mining/Quarrying/Oil and Gas Extraction | 220,761,732 | 254,887,878 | 409,616,155 | 226,213,432 |
| Public administration | 2,577,332 | 1,990,407 | 744,017 | |
| Agriculture/Forestry/Fishing/Hunting | | | | |
| Other | 126,528 | 8,483 | | |
| | <u>\$ 1,433,803,702</u> | <u>\$ 1,586,524,609</u> | <u>\$ 1,868,260,120</u> | <u>\$ 1,952,886,109</u> |

Source of information: Texas State Comptrollers Office.

<https://ourcpa.cpa.state.tx.us/allocation/HistSales.jsp>

Sales tax rates for the past ten fiscal years were as follows:

| | |
|------------------------------------|--------------|
| City of Sugar Land | 1.50% |
| Sugar Land Development Corporation | 0.25% |
| Sugar Land 4B Corporation | 0.25% |
| Totals | <u>2.00%</u> |

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ 845,579,899 | \$ 817,695,030 | \$ 820,003,254 | \$ 867,310,376 | \$ 928,740,183 | \$ 1,015,059,704 |
| 192,532,921 | 192,249,613 | 201,788,407 | 218,501,058 | 250,015,141 | 266,806,740 |
| 145,219,665 | 180,406,668 | 178,624,633 | 187,223,139 | 186,219,062 | 202,495,113 |
| 76,785,094 | 36,651,229 | 25,341,501 | 19,921,962 | 32,689,492 | 30,884,911 |
| 58,277,031 | 38,724,172 | 42,562,635 | 55,552,360 | 55,714,105 | 58,061,384 |
| 44,337,155 | 47,152,301 | 50,418,078 | 56,999,807 | 55,115,574 | 50,624,486 |
| 40,622,857 | 39,254,647 | 39,319,467 | 43,056,455 | 51,458,049 | 50,590,718 |
| 33,737,478 | 29,117,441 | 18,700,212 | 20,258,143 | 29,071,293 | 33,262,526 |
| 25,214,386 | 26,341,315 | 25,115,775 | 25,601,706 | 27,169,033 | 28,418,863 |
| 18,437,657 | 18,392,831 | 19,456,520 | 23,205,438 | 23,316,739 | 26,200,361 |
| 20,196,130 | 24,123,822 | 28,589,598 | 27,704,444 | 25,879,970 | 18,929,527 |
| 15,208,544 | 14,793,208 | 31,999,808 | 58,554,971 | 41,645,585 | 32,630,922 |
| 5,144,574 | 117,446 | 60,298 | 616,716 | 403,809 | 394,466 |
| 1,049,859 | 1,007,624 | 958,673 | 1,154,717 | 1,007,418 | 1,313,940 |
| 1,645,260 | 2,604,444 | 3,180,679 | 3,974,677 | 5,224,363 | 3,971,585 |
| 1,673,015 | 2,060,437 | 1,690,868 | 4,640,404 | 6,221,749 | 4,575,685 |
| 899,505 | 953,485 | 884,432 | 991,469 | 1,227,275 | 1,574,846 |
| 501,668,924 | 314,960,195 | 235,249 | 29,244,015 | 7,157,655 | 10,513,820 |
| | | 2,506,111 | 5,243,483 | 4,931,239 | 4,958,782 |
| | | | 2,706 | | |
| | 17,250 | 37,492 | 26,574 | 2,382 | |
| <u>\$ 2,028,229,954</u> | <u>\$ 1,786,623,158</u> | <u>\$ 1,491,473,690</u> | <u>\$ 1,649,784,620</u> | <u>\$ 1,733,210,116</u> | <u>\$ 1,841,268,379</u> |

CITY OF SUGAR LAND**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY***Last Ten Fiscal Years*

| Fiscal Year | Tax Year | Real Property | | Personal Property | | Less Tax Exempt Real Property |
|------------------------|---------------------|---------------------------------|--------------------------------|--------------------------|----------------|--|
| | | Residential Property | Commercial Property | Motor Vehicles | Other | |
| 2005 | 2004 | \$ 4,052,206,317 | \$ 1,624,421,340 | \$ 36,731,735 | \$ 872,591,115 | \$ 275,878,570 |
| 2006 | 2005 | 4,323,808,102 | 1,788,953,340 | 40,183,652 | 852,712,174 | 329,143,990 |
| 2007 | 2006 | 5,004,383,727 | 1,993,984,330 | 50,625,468 | 909,034,631 | 342,153,402 |
| 2008 | 2007 | 5,293,822,227 | 2,309,295,100 | 54,542,255 | 1,038,400,912 | 504,240,160 |
| 2009 | 2008 | 5,964,689,707 | 2,940,782,650 | 63,824,522 | 1,148,686,784 | 717,583,098 |
| 2010 | 2009 | 6,599,016,544 | 3,151,323,744 | 49,058,148 | 1,120,834,557 | 741,758,020 |
| 2011 | 2010 | 6,637,355,844 | 3,128,749,343 | 49,118,861 | 1,095,619,013 | 725,421,976 |
| 2012 | 2011 | 6,809,072,671 | 4,251,649,252 | 44,595,732 | 21,840,700 | 712,702,870 |
| 2013 | 2012 | 6,969,923,228 | 4,416,404,289 | 46,289,655 | 21,319,710 | 832,310,358 |
| 2014 | 2013 | 7,304,799,346 | 4,716,532,408 | 46,326,301 | 11,026,160 | 834,025,711 |

Source: Treasury Department of the City.

Note: All properties are assessed at 100% of actual taxable value. Tax rates are per \$100 of assessed value.

| Less Other Exemptions and Abatements | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|---|---|--------------------------------------|---|---|
| \$ 374,516,941 | \$ 5,935,554,996 | \$ 0.32568 | \$ 5,935,554,996 | 100.00% |
| 379,916,920 | 6,296,596,358 | 0.31711 | 6,296,596,358 | 100.00% |
| 512,828,996 | 7,103,045,758 | 0.30655 | 7,103,045,758 | 100.00% |
| 570,215,378 | 7,621,604,956 | 0.30000 | 7,621,604,956 | 100.00% |
| 674,751,010 | 8,725,649,555 | 0.30000 | 8,725,649,555 | 100.00% |
| 889,528,924 | 9,288,946,049 | 0.30000 | 9,288,946,049 | 100.00% |
| 908,796,522 | 9,276,624,563 | 0.30000 | 9,276,624,563 | 100.00% |
| 915,453,424 | 9,499,002,061 | 0.30245 | 9,499,002,061 | 100.00% |
| 921,195,348 | 9,700,431,176 | 0.30895 | 9,700,431,176 | 100.00% |
| 940,543,105 | 10,304,115,399 | 0.30895 | 10,304,115,399 | 100.00% |

CITY OF SUGAR LAND, TEXAS**PROPERTY TAX RATES (A)****DIRECT AND OVERLAPPING GOVERNMENTS (B)****Last Ten Fiscal Years**

| Fiscal Year | 2005 | 2006 | 2007 | 2008 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| Tax Year | 2004 | 2005 | 2006 | 2007 |
| Tax Rates | | | | |
| City of Sugar Land | | | | |
| Operating tax rate | \$ 0.13130 | \$ 0.14783 | \$ 0.15307 | \$ 0.15000 |
| Debt service tax rate | 0.19438 | 0.16928 | 0.15348 | 0.15000 |
| Total tax rate | <u>\$ 0.32568</u> | <u>\$ 0.31711</u> | <u>\$ 0.30655</u> | <u>\$ 0.30000</u> |
| Fort Bend County | \$ 0.52370 | \$ 0.51674 | \$ 0.51674 | \$ 0.51674 |
| Fort Bend ISD | 1.70750 | 1.67748 | 1.54000 | 1.25000 |
| Fort Bend LID 2 | 0.20000 | 0.18400 | 0.17700 | 0.16500 |
| Fort Bend County MUD No. 21 | 0.49000 | 0.47000 | 0.44000 | 0.39000 |
| Fort Bend LID 7 | 0.20500 | 0.19000 | 0.18500 | 0.19460 |
| Eldridge Road MUD | 0.50000 | 0.43000 | 0.39000 | 0.32000 |
| Fort Bend WCID No. 2 | 0.18000 | 0.18000 | 0.18000 | 0.18000 |
| First Colony LID No. 2 | 0.38500 | 0.37500 | 0.31500 | 0.31500 |
| Burney Road MUD | 0.67000 | 0.35500 | 0.33000 | 0.30000 |
| First Colony MUD 10 | | | | 0.75000 |
| Ft Bend MUD 136 | | | | 0.63000 |
| Ft Bend MUD 137 | | | | 0.63000 |
| Ft Bend MUD 138 | | | | 0.63000 |
| Ft Bend MUD 139 | | | | |

Source: CAD Website

| 2009 2008 | 2010 2009 | 2011 2010 | 2012 2011 | 2013 2012 | 2014 2013 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 0.15575 | \$ 0.16000 | \$ 0.16500 | \$ 0.16635 | \$ 0.17285 | \$ 0.17285 |
| 0.14425 | 0.14000 | 0.13500 | 0.13610 | 0.13610 | 0.13610 |
| <u>\$ 0.30000</u> | <u>\$ 0.30000</u> | <u>\$ 0.30000</u> | <u>\$ 0.30245</u> | <u>\$ 0.30895</u> | <u>\$ 0.30895</u> |
| \$ 0.49976 | \$ 0.49976 | \$ 0.48556 | \$ 0.49976 | \$ 0.48076 | \$ 0.49976 |
| 1.27000 | 1.30500 | 1.34000 | 1.34000 | 1.34000 | 1.34000 |
| 0.14500 | 0.13400 | 0.13400 | 0.13400 | 0.12900 | 0.12900 |
| 0.39000 | 0.27000 | 0.26000 | 0.26000 | 0.24000 | |
| 0.19460 | 0.19460 | 0.19460 | 0.19460 | 0.19460 | 0.20500 |
| 0.25000 | 0.22000 | 0.08000 | | | |
| 0.18000 | 0.18000 | 0.18000 | 0.18000 | 0.18000 | 0.18000 |
| 0.29500 | 0.28500 | 0.27500 | 0.27500 | 0.27500 | 0.27500 |
| 0.30000 | 0.24250 | 0.26750 | 0.26750 | 0.26750 | 0.26000 |
| 0.75000 | 0.75000 | 0.49000 | 0.49000 | 0.49000 | 0.47000 |
| 0.62000 | 0.62000 | 0.57000 | 0.57000 | 0.54000 | 0.54000 |
| 0.62000 | 0.57000 | 0.57000 | 0.57000 | 0.54000 | 0.48000 |
| 0.62000 | 0.57000 | 0.57000 | 0.57000 | 0.54000 | 0.48000 |
| | | 0.57000 | 0.57000 | 0.54000 | 0.54000 |

CITY OF SUGAR LAND, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

| Fiscal Year | Tax Year | Tax Rate | Total Tax Levy for Fiscal Year | Collected Within the Fiscal Year of the Levy | |
|------------------------|---------------------|-----------------|---|---|----------------------------|
| | | | | Amount | Percent of Levy |
| 2005 | 2004 | \$ 0.32568 | \$ 19,201,928 | \$ 19,068,084 | 99.4% |
| 2006 | 2005 | 0.31711 | 19,979,276 | 19,783,102 | 99.3% |
| 2007 | 2006 | 0.30655 | 21,810,754 | 21,617,919 | 99.3% |
| 2008 | 2007 | 0.30000 | 22,945,955 | 22,655,023 | 99.1% |
| 2009 | 2008 | 0.30000 | 25,998,610 | 25,953,447 | 99.1% |
| 2010 | 2009 | 0.30000 | 27,476,233 | 27,567,908 | 99.5% |
| 2011 | 2010 | 0.30000 | 27,794,991 | 27,743,159 | 99.7% |
| 2012 | 2011 | 0.30245 | 28,553,774 | 28,502,346 | 99.6% |
| 2013 | 2012 | 0.30895 | 30,080,049 | 29,998,455 | 99.6% |
| 2014 | 2013 | 0.30895 | 31,656,949 | 31,543,063 | 99.6% |

| Collections (Refunds) in Subsequent Years | | Total Collections to Date | |
|--|--|---------------------------|--------------------|
| Amount | | Amount | Percent of Levy |
| \$ 127,480 | | \$ 19,195,564 | 100.0% |
| 182,879 | | 19,965,981 | 99.9% |
| 180,111 | | 21,798,030 | 99.9% |
| 255,481 | | 22,910,504 | 99.8% |
| (5,211) | | 25,948,236 | 99.8% |
| (122,265) | | 27,445,643 | 99.9% |
| 23,769 | | 27,766,928 | 99.9% |
| 18,836 | | 28,521,181 | 99.9% |
| 33,977 | | 30,032,431 | 99.8% |
| | | 31,543,063 | 99.6% |

CITY OF SUGAR LAND
PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

| | Fiscal Year 2014 | | | Fiscal Year 2005 | | |
|--|--------------------------|------|-------------------------------|-------------------------|------|-------------------------------|
| | Tax Year 2013 | | | Tax Year 2004 | | |
| Taxpayer | Taxable Assessed Value | Rank | % of Total Assessed Valuation | Taxable Assessed Value | Rank | % of Total Assessed Valuation |
| Schlumberger Tech Corp - Well Services | \$ 99,322,540 | 1 | 1.0% | | | |
| First Colony Mall LLC | 90,179,840 | 2 | 0.9% | \$ 33,886,230 | 8 | 0.6% |
| Fairfield Industries | 84,270,520 | 3 | 0.8% | | | |
| Tramontina USA Inc | 82,026,040 | 4 | 0.8% | 42,985,694 | 5 | 0.7% |
| Lakepointe Assets, LLC | 81,300,000 | 5 | 0.8% | 84,739,670 | 1 | 1.4% |
| API Realty LLC | 74,467,840 | 6 | 0.7% | | | |
| Amerisource Bergen Drug Corp. | 59,721,760 | 7 | 0.6% | 36,309,696 | 7 | |
| NNP-Telfair LLC | 53,322,450 | 8 | 0.5% | | | |
| Weingarten Realty Investors & WRI/Post Oak Inc | 53,294,670 | 9 | 0.5% | | | |
| Schlumberger Tech Corp - SPC | 49,822,520 | 10 | 0.5% | | | |
| Sugar Land Telephone (Alltel) | | | | 62,968,610 | 2 | 1.1% |
| Sugar Creek Place, LP | | | | 54,281,090 | 3 | 0.9% |
| Nalco/Exxon Energy Chemicals, L.P. | | | | 44,300,120 | 4 | 0.7% |
| Suntron | | | | 40,461,285 | 6 | 0.7% |
| STC, MFG Group-SPC | | | | 32,113,250 | 9 | 0.5% |
| Sugar Land Hotel Associates, L.P. | | | | 30,733,400 | 10 | 0.5% |
| | 727,728,180 | | 7.1% | 462,779,045 | | 7.8% |
| Other taxpayers | 9,576,387,219 | | 92.9% | 5,472,775,951 | | 92.2% |
| Total Assessed Valuation | \$ 10,304,115,399 | | 100.0% | \$ 5,935,554,996 | | 100.0% |

Source - Tax assessor/collector's records

Note - Assessed valuation is net of exemptions

CITY OF SUGAR LAND, TEXAS**RATIOS OF GENERAL BONDED DEBT OUTSTANDING***Last Ten Fiscal Years*

| Fiscal Year | Tax Year | General Obligation Bonds | Less: Amounts Available in Debt Service Fund | Total | Percentage of Estimated Actual Taxable Value* of Property | Per Capita** |
|------------------------|---------------------|---|---|---------------|--|-------------------------|
| 2005 | 2004 | \$ 84,932,230 | \$ 6,653,939 | \$ 78,278,291 | 1.3% | \$ 1,106 |
| 2006 | 2005 | 96,505,000 | 4,627,154 | 91,877,846 | 1.5% | 1,234 |
| 2007 | 2006 | 87,105,001 | 5,029,013 | 82,075,988 | 1.2% | 1,077 |
| 2008 | 2007 | 84,800,000 | 5,993,163 | 78,806,837 | 1.0% | 1,011 |
| 2009 | 2008 | 75,795,000 | 4,808,870 | 70,986,130 | 0.8% | 892 |
| 2010 | 2009 | 93,815,000 | 5,226,158 | 88,588,842 | 1.0% | 1,048 |
| 2011 | 2010 | 83,855,000 | 7,014,403 | 76,840,597 | 0.8% | 909 |
| 2012 | 2011 | 79,620,000 | 4,069,685 | 75,550,315 | 0.8% | 894 |
| 2013 | 2012 | 72,280,000 | 3,230,208 | 69,049,792 | 0.7% | 817 |
| 2014 | 2013 | 70,105,000 | 4,105,011 | 65,999,989 | 0.6% | 763 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

** Population data can be found in the Schedule of Demographic and Economic Statistics.

CITY OF SUGAR LAND**RATIOS OF OUTSTANDING DEBT BY TYPE***Last Ten Fiscal Years***Governmental Activities**

| Fiscal Year | General Obligation Bonds | Annexed MUD Debt | Certificates of Obligation | Capital Leases | Sales Tax Revenue Bonds |
|------------------------|---|-----------------------------|---------------------------------------|---------------------------|--|
| 2005 | \$ 76,717,230 | \$ 8,215,000 | \$ 25,770,000 | \$ 1,139,451 | \$ |
| 2006 | 93,000,000 | 3,505,000 | 25,595,000 | 777,242 | 13,415,000 |
| 2007 | 84,480,001 | 2,625,000 | 24,345,000 | 628,336 | 11,930,000 |
| 2008 | 82,895,000 | 1,905,000 | 27,505,000 | 474,264 | 11,475,000 |
| 2009 | 74,310,000 | 1,485,000 | 26,035,000 | 938,143 | 11,005,000 |
| 2010 | 87,580,000 | 6,235,000 | 56,913,005 | 2,430,846 | 10,515,000 |
| 2011 | 78,005,000 | 5,850,000 | 54,313,990 | 2,030,854 | 10,010,000 |
| 2012 | 74,095,000 | 5,525,000 | 45,376,995 | 1,664,554 | 9,485,000 |
| 2013 | 67,090,000 | 5,190,000 | 40,879,596 | 1,287,784 | 8,935,000 |
| 2014 | 58,440,000 | 11,665,000 | 63,231,995 | 954,273 | 15,345,000 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Business-Type Activities

| Revenue Bonds | General Obligation Bonds | Certificates of Obligation | Total Primary Government | Percentage of Personal Income* | Percentage of Actual Taxable value of Property | Per Capita* |
|--------------------------|---|---|-------------------------------------|---|---|------------------------|
| \$ 29,535,000 | \$ 200,000 | \$ 8,835,000 | \$ 150,411,681 | 5.8% | 2.5% | \$ 2,126 |
| 32,860,000 | | 8,685,000 | 177,837,242 | 6.4% | 2.8% | 2,388 |
| 30,600,000 | | 8,375,000 | 162,983,337 | 5.8% | 2.3% | 2,138 |
| 43,100,000 | | 12,455,000 | 179,809,264 | 6.1% | 2.4% | 2,306 |
| 40,420,000 | | 11,990,000 | 166,183,143 | 5.6% | 1.9% | 2,088 |
| 65,940,000 | | 11,946,995 | 241,560,846 | 7.2% | 2.6% | 2,858 |
| 62,225,000 | | 110,246,010 | 322,680,854 | 12.1% | 3.5% | 3,818 |
| 80,400,000 | | 107,968,005 | 324,514,554 | 9.0% | 3.4% | 3,840 |
| 75,670,000 | 5,610,000 | 99,645,404 | 304,307,784 | 8.1% | 3.1% | 3,601 |
| 86,180,000 | 5,510,000 | 98,003,005 | 339,329,273 | 9.0% | 3.3% | 3,923 |

*See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF SUGAR LAND, TEXAS
DIRECT AND ESTIMATED OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
September 30, 2014

| Taxing Jurisdiction | Gross Debt | Overlapping | |
|---|--------------|------------------------|------------------------------|
| | | Estimated Percentage * | Amount |
| Burney Road MUD | \$ 9,960,000 | 100.00% | \$ 9,960,000 |
| First Colony MUD No. 10 | 14,470,000 | 100.00% | 14,470,000 |
| Fort Bend County** | 441,905,000 | 24.22% | 107,029,391 |
| Fort Bend County LID No. 2 | 13,980,000 | 100.00% | 13,980,000 |
| Fort Bend County LID No. 10 | 12,805,000 | 94.15% | 12,055,908 |
| Fort Bend County LID No. 14 | 4,425,000 | 100.00% | 4,425,000 |
| Fort Bend County LID No. 17 | 56,175,000 | 100.00% | 56,175,000 |
| Fort Bend County MUD No. 116 | 27,885,000 | 0.11% | 30,674 |
| Fort Bend County MUD No. 136 | 4,700,000 | 100.00% | 4,700,000 |
| Fort Bend County MUD No. 137 | 30,710,000 | 100.00% | 30,710,000 |
| Fort Bend County MUD No. 138 | 44,970,000 | 100.00% | 44,970,000 |
| Fort Bend County MUD No. 139 | 15,080,000 | 100.00% | 15,080,000 |
| Fort Bend County WC&ID No. 2 | 59,680,000 | 0.66% | 393,888 |
| Fort Bend ISD | 849,098,711 | 41.89% | 355,687,450 |
| Total Overlapping Debt | | | \$ 669,667,310 |
| City of Sugar Land | 149,636,268 | 100.00% | <u>149,636,268</u> |
| Total Direct and Overlapping Debt | | | <u><u>\$ 819,303,578</u></u> |
| Ratio of Direct and Overlapping Funded Debt to 2013 Taxable Assessed Valuation | | | 7.95% |
| Per Capita Debt - Direct and Overlapping | | | \$ 9,472 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* The "Estimated Percentage Overlapping" is determined by dividing the City's certified taxable value by the County and related other County entities certified taxable values.

** Includes the \$63,695,000 Fort Bend County, Texas Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2003 and the \$72,195,000 Fort Bend County, Texas Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2004.

Source-Tax Department records of the various governments and the financial advisor for the City.

CITY OF SUGAR LAND, TEXAS

PLEDGED REVENUE COVERAGE

Last Ten Fiscal Years

| Fiscal Year | Net Revenue Available for | | | | | | | Times Coverage |
|--|---------------------------|------------------------------|---------------|-------------------------------|--------------|--------------|------|----------------|
| | Gross Revenue (A) | Total Operating Expenses (B) | Debt Service | Debt Service Requirements (C) | | | | |
| | | | | Principal | Interest | Total | | |
| Utility/Surface Water - Waterworks and Sewer System Revenue Bonds and Combo Tax and Revenue Certificates of Obligation | | | | | | | | |
| 2005 | \$ 17,449,478 | \$ 6,639,195 | \$ 10,810,283 | \$ 2,085,000 | \$ 1,370,560 | \$ 3,455,560 | 3.13 | |
| 2006 | 23,319,289 | 9,212,745 | 14,106,544 | 2,260,000 | 1,412,483 | 3,672,483 | 3.84 | |
| 2007 | 22,492,174 | 9,672,726 | 12,819,448 | 2,280,000 | 1,319,533 | 3,599,533 | 3.56 | |
| 2008 | 25,758,079 | 11,821,825 | 13,936,254 | 2,280,000 | 1,969,366 | 4,249,366 | 3.28 | |
| 2009 | 29,493,918 | 12,534,620 | 16,959,298 | 2,535,000 | 1,777,648 | 4,312,648 | 3.93 | |
| 2010 | 27,851,605 | 12,249,239 | 15,602,366 | 3,715,000 | 2,628,310 | 6,343,310 | 2.46 | |
| 2011 | 35,879,212 | 14,481,658 | 21,397,554 | 5,495,000 | 6,727,898 | 12,222,898 | 1.75 | |
| 2012 | 40,961,236 | 13,325,073 | 27,636,163 | 6,360,000 | 7,138,761 | 13,498,761 | 2.05 | |
| 2013 | 43,056,189 | 13,980,526 | 29,075,663 | 6,535,000 | 7,138,988 | 13,673,988 | 2.13 | |
| 2014 | 44,461,529 | 15,551,786 | 28,909,743 | 7,305,000 | 6,736,571 | 14,041,571 | 2.06 | |
| Airport - Combination Tax and Revenue Certificates of Obligation and General Obligation Refunding Bonds | | | | | | | | |
| 2005 | \$ 7,400,503 | \$ 5,897,970 | \$ 1,502,533 | \$ 350,000 | \$ 400,314 | \$ 750,314 | 2.00 | |
| 2006 | 9,523,197 | 8,319,812 | 1,203,385 | 310,000 | 383,839 | 693,839 | 1.73 | |
| 2007 | 10,216,832 | 8,414,435 | 1,802,397 | 320,000 | 370,451 | 690,451 | 2.61 | |
| 2008 | 13,264,297 | 11,587,030 | 1,677,267 | 465,000 | 532,008 | 997,008 | 1.68 | |
| 2009 | 8,909,097 | 7,389,197 | 1,519,900 | 480,000 | 512,208 | 992,208 | 1.53 | |
| 2010 | 11,095,870 | 8,990,899 | 2,104,971 | 510,985 | 507,479 | 1,018,464 | 2.07 | |
| 2011 | 14,365,263 | 12,421,540 | 1,943,723 | 533,005 | 484,240 | 1,017,245 | 1.91 | |
| 2012 | 15,686,832 | 13,442,241 | 2,244,591 | 562,601 | 458,337 | 1,020,938 | 2.20 | |
| 2013 | 16,580,724 | 13,971,288 | 2,609,436 | 617,399 | 584,625 | 1,202,024 | 2.17 | |
| 2014 | 16,947,944 | 14,005,337 | 2,942,607 | 672,399 | 359,000 | 1,031,399 | 2.85 | |
| Sugar Land Development Corporation - Sales Tax Revenue Bonds | | | | | | | | |
| 2005 | \$ 4,415,608 | \$ 470,896 | \$ 3,944,712 | \$ 1,000,000 | \$ 77,500 | \$ 1,077,500 | 3.66 | |
| 2006 | 5,521,594 | 2,450,638 | 3,070,956 | 1,485,000 | 609,499 | 2,094,499 | 1.47 | |
| 2007 | 5,087,031 | 1,561,471 | 3,525,560 | 455,000 | 555,436 | 1,010,436 | 3.49 | |
| 2008 | 5,492,177 | 1,904,422 | 3,587,755 | 470,000 | 526,530 | 996,530 | 3.60 | |
| 2009 | 5,126,108 | 1,864,368 | 3,261,740 | 490,000 | 496,530 | 986,530 | 3.31 | |
| 2010 | 4,765,732 | 2,654,472 | 2,111,260 | 505,000 | 465,436 | 970,436 | 2.18 | |
| 2011 | 5,002,593 | 1,761,821 | 3,240,772 | 525,000 | 433,249 | 958,249 | 3.38 | |
| 2012 | 5,418,133 | 344,395 | 5,073,738 | 550,000 | 405,499 | 955,499 | 5.31 | |
| 2013 | 5,635,748 | 1,035,784 | 4,599,964 | 575,000 | 382,655 | 957,655 | 4.80 | |
| 2014 | 6,155,747 | 1,856,849 | 4,298,898 | 775,000 | 635,546 | 1,410,546 | 3.05 | |
| Sugar Land 4B Corporation - Sales Tax Revenue Bonds | | | | | | | | |
| 2005 | \$ 4,415,608 | \$ 206,110 | \$ 4,209,498 | \$ 1,030,000 | \$ 617,641 | \$ 1,647,641 | 2.55 | |
| 2006 | 4,933,007 | 258,236 | 4,674,771 | 1,470,000 | 693,373 | 2,163,373 | 2.16 | |
| 2007 | 5,089,765 | 306,390 | 4,783,375 | 935,000 | 746,523 | 1,681,523 | 2.84 | |
| 2008 | 5,557,492 | 825,646 | 4,731,846 | 975,000 | 696,910 | 1,671,910 | 2.83 | |
| 2009 | 6,776,475 | 930,587 | 5,845,888 | 1,025,000 | 647,116 | 1,672,116 | 3.50 | |
| 2010 | 4,735,081 | 546,578 | 4,188,503 | 1,195,000 | 429,231 | 1,624,231 | 2.58 | |
| 2011 | 5,020,642 | 983,093 | 4,037,549 | 1,635,000 | 1,742,456 | 3,377,456 | 1.20 | |
| 2012 | 5,430,099 | 1,623,703 | 3,806,396 | 1,660,000 | 1,691,606 | 3,351,606 | 1.14 | |
| 2013 | 5,629,941 | 1,453,704 | 4,176,237 | 1,705,000 | 1,639,706 | 3,344,706 | 1.25 | |
| 2014 | 5,628,235 | 836,556 | 4,791,679 | 1,780,000 | 1,583,844 | 3,363,844 | 1.42 | |

(A) Gross revenue, as defined in the revenue bond ordinances, includes operating and non-operating revenue and excludes capital contributions (grant revenue), and capital recovery fees.

(B) Total expenses, as defined in the revenue bond ordinances, do not include amortization, depreciation, and bond interest and fiscal charges.

(C) Debt service requirements are based on the expected debt service payments for the following fiscal year.

CITY OF SUGAR LAND, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

| Fiscal Year | Population | Personal Income¹ (\$000's) | Per Capita Income¹ | Median Age² | Educational¹ Attainment* | Unemployment Rate² |
|--------------------|-------------------|--|--------------------------------------|-------------------------------|--|--------------------------------------|
| 2005 | 70,758 | \$ 2,607,432 | \$ 36,850 | 39.0 | 54% | 4.7% |
| 2006 | 74,472 | 2,782,795 | 37,367 | 35.4 | 54% | 3.5% |
| 2007 | 76,228 | 2,807,477 | 36,830 | 37.4 | 54% | 3.4% |
| 2008 | 77,982 | 2,930,953 | 37,585 | 37.6 | 54% | 3.7% |
| 2009 | 79,573 | 2,986,693 | 37,534 | 36.4 | 53% | 4.8% |
| 2010 | 84,511 | 3,353,396 | 39,680 | 36.7 | 55% | 6.1% |
| 2011 | 84,511 | 2,659,858 | 41,683 | 40.5 | 54% | 6.5% |
| 2012 | 84,511 | 3,586,815 | 42,442 | 41.2 | 54% | 4.5% |
| 2013 | 84,511 | 3,737,330 | 44,223 | 40.7 | 54% | 4.9% |
| 2014 | 86,495 | 3,781,499 | 44,375 | 41.4 | 54% | 3.9% |

Data Sources:

1 - U.S. Census; Claritas iXpress

2 - Texas Workforce Commission

Note: Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average.

* Percent of population over the age of 25 with Bachelor or Graduate degrees

CITY OF SUGAR LAND, TEXAS**PRINCIPAL EMPLOYERS***Current Year and Nine Years Ago*

| Employer | 2014 | | | 2005 | | |
|---------------------------|------------------|-------------|--|------------------|-------------|--|
| | Employees | Rank | Percentage of Total City Employment (A) | Employees | Rank | Percentage of Total City Employment (A) |
| Fluor Corporation | 2,800 | 1 | 6.9% | 2,800 | 1 | 7.4% |
| Fort Bend ISD (City Limit | 2,580 | 2 | 6.4% | | | |
| Schlumberger | 2,200 | 3 | 5.4% | 1,800 | 2 | 4.8% |
| Methodist Hospital | 1,700 | 4 | 4.2% | 436 | 6 | 1.2% |
| United Healthcare | 800 | 5 | 2.0% | | | |
| Nalco Energy Services | 600 | 6 | 1.5% | 450 | 5 | 1.2% |
| Tramontina USA, Inc. | 500 | 7 | 1.2% | | | |
| Memorial Hermann | 450 | 8 | 1.1% | | | |
| Baker Petrolite Corp. | 420 | 9 | 1.0% | 350 | 8 | 0.9% |
| St. Luke's Hospital | 390 | 10 | 1.0% | | | |
| UNOCAL Corp. | | | | 950 | 3 | 2.5% |
| Suntron Corp. | | | | 900 | 4 | 2.4% |
| Aetna US Healthcare | | | | 430 | 7 | 1.1% |
| MCI Communications | | | | 350 | 9 | 0.9% |
| Bill Heard Chevrolet | | | | 300 | 10 | 0.8% |
| | <u>12,440</u> | | <u>31%</u> | <u>8,766</u> | | <u>23%</u> |

(A) For 2014, estimated total employment was 46,286. For 2005, estimated total employment was 37,796.

Source: Total employment estimates were obtained from the City's Economic Development Website

CITY OF SUGAR LAND, TEXAS***FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION******Last Ten Fiscal Years***

| Function | Full-time Equivalent Employees as of September 30, | | | |
|----------------------------------|---|--------------|--------------|--------------|
| | 2005 | 2006 | 2007 | 2008 |
| Governmental Activities: | | | | |
| General government | 45.2 | 51.2 | 54.7 | 65.7 |
| Administrative services | 38.0 | 37.5 | 59.5 | 63.0 |
| Public safety - Police | 158.5 | 173.5 | 176.5 | 183.5 |
| Public safety - Fire | 103.0 | 104.0 | 105.0 | 110.0 |
| Public works | 41.0 | 45.5 | 37.9 | 34.9 |
| Parks and recreation | 20.7 | 22.7 | 26.3 | 27.3 |
| Community development | 35.0 | 40.0 | 38.0 | 52.5 |
| Business-type activities: | | | | |
| Utility | 42.5 | 47.0 | 51.0 | 55.0 |
| Solid waste management | 1.5 | 1.5 | 1.0 | 2.0 |
| Regional Airport | 24.0 | 27.5 | 29.5 | 29.5 |
| Total | 509.4 | 550.4 | 579.4 | 623.4 |

Source: Budget Office

| Full-time Equivalent Employees as of September 30, | | | | | |
|--|-------|-------|-------|-------|-------|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| 64.7 | 77.7 | 80.2 | 80.2 | 83.2 | 78.7 |
| 62.5 | 58.5 | 30.2 | 30.2 | 27.5 | 34.0 |
| 193.5 | 190.5 | 191.8 | 191.8 | 194.5 | 198.5 |
| 112.0 | 108.0 | 107.0 | 107.0 | 107.0 | 111.0 |
| 38.9 | 41.9 | 52.5 | 52.5 | 54.9 | 54.4 |
| 29.3 | 34.4 | 34.4 | 34.4 | 35.9 | 37.3 |
| 53.0 | 54.1 | 52.0 | 55.0 | 56.0 | 54.1 |
| 51.5 | 56.5 | 55.5 | 55.5 | 59.5 | 66.0 |
| 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.5 |
| 33.5 | 33.5 | 33.5 | 33.5 | 42.0 | 42.0 |
| 640.9 | 657.1 | 639.1 | 642.1 | 662.5 | 678.5 |

CITY OF SUGAR LAND, TEXAS
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

| Function | Fiscal Year | | | |
|---------------------------------|--------------------|--------------|--------------|---------------|
| | 2005 | 2006 | 2007 | 2008 |
| City of Sugar Land | | | | |
| Population | 70,758 | 74,472 | 76,228 | 77,982 |
| Square miles | 29.4 | 29.4 | 32.2 | 32.2 |
| Acres | 18,816 | 18,816 | 20,597 | 20,618 |
| Budgeted full time employees | 511.2 | 550.4 | 578.4 | 623.4 |
| Police | | | | |
| Physical arrests | 2,468 | 2,455 | 2,702 | 2,577 |
| Traffic violations | 10,297 | 12,190 | 17,006 | 15,243 |
| Parking violations | 250 | 73 | 139 | 158 |
| Calls for service | 54,216 | 98,868 | 73,304 | 66,666 |
| Fire | | | | |
| Number of calls answered | 5,894 | 6,018 | 6,264 | 6,296 |
| Parks and recreation | | | | |
| Special events | 11 | 12 | 12 | 7 |
| Water | | | | |
| New connections | 341 | 452 | 677 | 663 |
| Water main breaks | 121 | 136 | 65 | 117 |
| Annual Rainfall (inches) | 43.9 | 36.5 | 71.8 | 35.7 |
| Average daily production (MG) | 11.81 | 13.36 | 11.22 | 13.64 |
| Sewer | | | | |
| Average daily WW treatment (MG) | 8.42 | 8.11 | 8.48 | 8.14 |
| Community Development | | | | |
| Building Permits issued | 5,224 | 6,679 | 8,385 | 7,906 |
| Airport | | | | |
| No. of fuel gallons sold | 2,140,159 | 2,461,798 | 2,641,000 | 2,560,240 |
| Fuel Sales | \$ 6,344,836 | \$ 8,423,636 | \$ 8,939,866 | \$ 11,915,051 |
| Aircraft served | 12,272 | 13,696 | 13,446 | 13,608 |

Source: Various City Departments.

| Fiscal Year | | | | | |
|--------------|--------------|---------------|---------------|---------------|---------------|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| 79,732 | 84,511 | 84,511 | 84,511 | 84,511 | 86,495 |
| 32.2 | 33.5 | 33.5 | 33.5 | 35.1 | 35.2 |
| 20,618 | 21,451 | 21,451 | 21,516 | 22,475 | 22,500 |
| 640.9 | 657.1 | 642.0 | 642.0 | 662.5 | 676.0 |
| 3,044 | 3,212 | 3,914 | 3,792 | 3,009 | 2,899 |
| 22,056 | 21,370 | 27,053 | 24,157 | 21,577 | 20,534 |
| 285 | 203 | 615 | 652 | 469 | 377 |
| 66,711 | 69,298 | 162,669 | 151,967 | 155,718 | 123,450 |
| 6,253 | 6,106 | 6,293 | 6,419 | 7,250 | 7,328 |
| 19 | 19 | 15 | 18 | 18 | 18 |
| 527 | 1,656 | 448 | 432 | 186 | 186 |
| 209 | 51 | 357 | 59 | 211 | 170 |
| 22.3 | 55.0 | 17.2 | 57.1 | 35.5 | 48.3 |
| 16.77 | 12.99 | 18.01 | 15.70 | 15.15 | 15.47 |
| 7.81 | 7.81 | 7.71 | 8.27 | 7.28 | 8.02 |
| 8,115 | 7,982 | 8,629 | 7,583 | 7,362 | 7,271 |
| 2,053,874 | 2,418,443 | 2,714,881 | 2,847,905 | 3,015,916 | 3,134,281 |
| \$ 7,437,870 | \$ 9,530,961 | \$ 12,766,985 | \$ 13,876,503 | \$ 14,616,206 | \$ 14,934,003 |
| 12,663 | 12,309 | 13,160 | 18,843 | 17,839 | 14,185 |

CITY OF SUGAR LAND, TEXAS
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years

| Function | Fiscal Year | | | |
|---|-------------|-------|-------|-------|
| | 2005 | 2006 | 2007 | 2008 |
| General government | | | | |
| Municipal buildings | 36 | 36 | 36 | 36 |
| Conference center | 1 | 1 | 1 | 1 |
| Public safety | | | | |
| Police Protection | | | | |
| Stations | 1 | 1 | 1 | 1 |
| Fire Protection | | | | |
| Stations within city limits | 5 | 5 | 5 | 5 |
| Stations operated through agreements with MUDs served in ETJ | 1 | 1 | 1 | 1 |
| Highways and streets | | | | |
| Linear miles of sidewalks | 362 | 366 | 367 | 405 |
| Storm sewers (miles) | 231 | 231 | 280 | 242 |
| Traffic signals | 67 | 68 | 70 | 74 |
| Parks and recreation | | | | |
| Parks | 19 | 19 | 20 | 22 |
| Community centers | 6 | 6 | 6 | 6 |
| Parks acreage | | | | |
| Developed | 351 | 358 | 508 | 507 |
| Undeveloped | 578 | 579 | 429 | 569 |
| Water | | | | |
| Water wells | 13 | 14 | 15 | 15 |
| Water mains (miles) | 332 | 335 | 360 | 370 |
| Fire hydrants | 2,747 | 2,952 | 3,257 | 3,363 |
| Maximum daily demand (MG) | | | | |
| Groundwater | 23.30 | 24.47 | 21.57 | 42.90 |
| Waste water | | | | |
| Waste water treatment plants | 1 | 2 | 2 | 2 |
| Sanitary sewers (miles) | 318 | 331 | 331 | 338 |
| Max daily treatment capacity (MG) | 7.5 | 13.5 | 13.5 | 13.5 |

Source: Various City Departments.

| Fiscal Year | | | | | |
|-------------|-------|-------|-------|-------|-------|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| 36 | 36 | 38 | 40 | 40 | 40 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 5 | 5 | 5 | 6 | 6 | 6 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 405 | 432 | 432 | 450 | 500 | 500 |
| 242 | 246 | 246 | 338 | 338 | 338 |
| 74 | 80 | 78 | 79 | 81 | 85 |
| 22 | 24 | 23 | 24 | 24 | 24 |
| 6 | 6 | 6 | 6 | 6 | 6 |
| 507 | 562 | 562 | 760 | 760 | 807 |
| 569 | 695 | 695 | 562 | 562 | 571 |
| 15 | 17 | 17 | 17 | 17 | 17 |
| 370 | 415 | 421 | 431 | 431 | 441 |
| 3,363 | 3,610 | 3,817 | 3,993 | 4,000 | 4,050 |
| 42.90 | 27.20 | 36.07 | 30.14 | 29.89 | 29.97 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 338 | 381 | 395 | 405 | 405 | 412 |
| 13.5 | 13.5 | 13.5 | 13.5 | 13.5 | 13.5 |

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